

AFRICAN DEVELOPMENT BANK GROUP



ESTABLISHMENT OF THE AFRICA CLIMATE CHANGE FUND

FRMB/ONEC/GECL DEPARTMENTS

April 2014

AFRICA CLIMATE CHANGE FUND

1. Introduction

1.1 In 2013, the African Development Bank approved its 2013-2022 strategy, which is designed to place the Bank at the centre of Africa's transformation and to improve the quality of Africa's growth. This 10-year strategy focuses on two objectives: inclusive growth and the transition to green growth. Priorities for achieving green growth include building resilience to climate shocks, providing sustainable infrastructure, creating ecosystem services and making efficient and sustainable use of natural resources (particularly water, which is central to growth and most affected by climate change).

1.2 The contribution of most African countries to climate change is minimal. Yet a combination of geographic and economic factors, along with a dependence on basic natural resources make Africa the most vulnerable continent to the impacts of climate change. This is undermining the continent's development while putting millions of lives and livelihoods at risk. The negative impacts of climate change are already estimated to reduce Africa's GDP by about 3% annually. A 2013 UNEP report¹ confirms that Africa already needs between USD 7 billion and USD 15 billion per year by 2020 to meet its adaptation challenges. The report further cautions that, "even if the world does manage to get on track to keep warming below 2°C, Africa's adaptation costs will still hover around USD \$35 billion per year by the 2040s and USD \$200 billion per year by the 2070s."

1.3 In response, the Bank has been progressively mainstreaming climate change mitigation and adaptation into its development activities. In addition, the Bank's strategy for 2013-2022 places an emphasis on promoting quality growth, adopting the transition to green growth as one objective. The Bank has taken the lead in supporting RMCs transitioning to climate resilient and low carbon growth, through technical assistance and project financing. In 2011, the Bank channelled USD 596 million to RMCs for adaptation projects and USD 925 million for mitigation projects. In 2012, financing increased to USD 523 million for adaptation and USD 1,708 million for mitigation. This has been made possible through climate finance instruments either created by the Bank, or for which the Bank is an implementing agency. These include the Climate Investment Funds (CIFs), the Global Environment Facility (GEF), the Sustainable Energy Fund for Africa (SEFA), the Africa Water Facility (AWF), and the Congo Basin Forest Fund (CBFF).

1.4 The Bank has already achieved a great deal through financing climate resilient and low carbon growth in the region. However, Africa still gets a small share of climate finance as compared to other continents. This is mainly due to the region's lack of readiness and capacity to access international climate finance, the cumbersome procedures of some funds, as well as the limited capacity of African countries to negotiate international climate deals that could benefit the continent. The fact that Africa benefited very little from the Clean Development Mechanism (CDM) demonstrates the need for the continent to get ready for climate finance and scale it up for the benefit of sustainable development.

¹ *Africa Adaptation Gap Report*, UNEP, 2013.

1.5 To reach the objectives set in the Bank's Climate Change Action Plan (CCAP) and in the 2013-2022 strategy, the Bank needs to increase the mobilization of financing dedicated to climate smart activities and investments. In the context of the creation of the Green Climate Fund (GCF) at the international level, there is a great opportunity for the Bank to show its ability to catalyse and channel more climate finance to African countries. Indeed, the Bank could become an executing agency of the GCF if it can prove its ability to manage increasing amounts of climate finance. The Bank can build confidence in its capacity and demonstrate its effectiveness to manage such financing through an efficient and results-oriented trust fund dedicated to climate change in Africa.

1.6 The proposed initiative is a bilateral thematic trust fund focused on climate change, called the African Climate Change Fund (ACCF). Conceived as a bilateral trust fund (with an initial untied contribution of USD 6,191,640² from Germany), the objective will be to scale-up to a multi-donor trust fund as soon as at least one new donor is ready to join. In line with the Bank's strategy for mobilizing additional resources, the ACCF will become another channel for funding, which will complement the Bank's own resources as well as the multilateral funds for which the Bank is an implementing agency (GEF, CIF, etc.). Complementing existing Bank trust funds, its scope will be sufficiently broad to cover various types of activities related to climate resilient and low carbon growth.

1.7 The ACCF shall be hosted and managed by the Bank. As the GCF is being set up, the ACCF represents a critical opportunity for the Bank to confirm its ability to mobilize, manage and implement climate finance in Africa.

2. Objectives

2.1 The goal of the ACCF is both to support RMCs in their transition to climate resilient and low carbon development, as well as to allow the Bank to scale up its climate change activities. The scope of the ACCF is broad enough to allow for a variety of activities that RMCs need for this critical transition, with the aim of generating transformational change in the medium to long term. The objectives include: (i) helping RMCs prepare to access greater amounts of climate finance³, support them in using the funds received more efficiently and effectively and support them in tracking the climate finance flows from which they benefit; (ii) through up-stream diagnostics and technical assistance, helping RMCs systematically address climate change in their strategies and policies that seek to promote low carbon development, resource use efficiency and resilience building; (iii) helping RMCs develop climate resilient and low carbon investment plans and projects; (iv) co-financing climate resilient and low carbon projects and programs; (v) gathering, consolidating, analysing and disseminating information and knowledge on climate resilient and low carbon development; (v) providing capacity building to RMCs and national and regional stakeholders for climate change and green growth;

² This is the equivalent of four million seven hundred and twenty five thousand Euros (EUR 4,725,000) which GIZ transferred to the International Bank of Reconstruction and Development.

³ Including support for institutional strengthening at the level of strategic planning and, in particular, institution strengthening for direct access to climate finance.

(vi) helping RMCs prepare for and contribute with strong arguments to the Conferences of the Parties of the United Nations Framework Convention on Climate Change (UNFCCC); and (vii) contributing to the implementation of the Bank's CCAP.

2.2 The Bank is planning to set up an Africa Green Facility that will focus on (i) consolidating the existing climate finance instruments managed by the Bank into a coherent financing platform; (ii) channelling the funds coming from the GCF (once the Bank is accredited to do so); and (iii) mobilizing additional financing from private capital, the Bank's trust funds and other sources of finance (e.g. sovereign wealth funds, targeted African contributions, foundations, solidarity funds, funds from Arab countries and BRICS). The ACCF constitutes a seed component of the larger, planned Africa Green Facility by contributing to the mobilization of climate finance for Africa. It represents a first step in the right direction and will work in tandem with the Africa Green Facility once the facility is created.

2.3 The ACCF will support the Bank in achieving its "transition to green growth" objective by financing climate resilient and low carbon development. It will also contribute to implementing core operational priorities in a more sustainable way, specifically: infrastructure development (supporting the development of climate resilient and/or low carbon infrastructure); private sector development (establishing an enabling environment for the private sector to invest in climate smart projects); and skills and development (building capacity in RMCs on climate smart investment and technologies). The ACCF will also contribute to the following areas of special emphasis: fragile states (in making them more resilient to climate shocks), food security (in scaling up climate resilient land and water management practices) and gender (in making women and young people less vulnerable to the negative effects of climate change of which they are the primary victims). The ACCF intends to become a key financing instrument for implementing the Bank's CCAP, the 2013-2022 strategy and the Bank's sector strategies (e.g. Energy Sector Strategy) and guidelines (e.g. Guidance Document for Mainstreaming Climate Change in the Bank's Country Strategy Papers).

3. Eligible Recipients

3.1 ACCF grant recipients may include: African governments, NGOs, research institutions, regional institutions (jointly referred to external recipients) and the Bank. Projects, programmes or activities to be financed by the Fund may be executed by external recipients or by the Bank. The Bank may execute projects, programmes or activities financed by the Fund either on its own initiative or at the request of an eligible external recipient. In the spirit of the Busan Partnership, the Bank will coordinate regularly with other partners and donors, and in particular with other initiatives in the field of climate change that donors to this fund undertake, for climate change support to RMCs to avoid overlap and ensure efficient complementarity.

3.2 The eligibility of NGOs and research institutions will depend on their credibility and track record in the area of financial governance, among other criteria. Such organizations shall: i) be based in Africa; ii) provide evidence of valid legal registration under the laws of the RMCs in which they operate, as well as evidence of a certificate to carry out development work in the RMCs in which they intend to carry out the activity (if different from the place of legal registration);

iii) have proof of their existence at least two years prior to the onset of activity and have appropriate organizational and management capacity, including a governing board; iv) demonstrate the existence of a sound financial system, including clear accounting and budgeting standards, financial statements, a transparent budgeting process, audited accounts and other indicators that confirm their capacity to assume fiduciary responsibility for ACCF resources; v) provide evidence of competence – based on past performance – to carry out the proposed activities; and vi) demonstrate credibility and the knowledge of local values, networks and structures required to carry out the indicated activities.

4. Areas of Intervention and Eligible Activities

4.1 Proposed areas of intervention may include: climate finance readiness; climate change and green growth mainstreaming; the preparation and financing of adaptation and mitigation projects; knowledge management and information sharing related to climate change; capacity building; the preparation of climate resilient and low carbon strategies and policies; analytical work related to green growth; and advocacy and outreach, among others.

4.2 Activities to be funded may include (but are not limited to): recruitment of national and international consultants, trainings, consultation workshops, regional and international meetings, communication, advocacy, translation services, the provision of technical assistance in the preparation of studies and analytical pieces, office equipment and transportation fees.

5 Fund Administration and Management

5.1 As trustee of the ACCF, the Bank, in accordance with its financial rules, regulations, policies, investment guidelines and relevant instruments, will administer and manage the resources of the Fund using its organisation, services, facilities and staff. The resources and accounts of the ACCF will be kept separate from those of the Bank as well as from all other assets and accounts administered by the Bank. The ACCF will be established for 3 years and may be terminated, renewed or converted by common agreement between the donor(s) and the Bank.

5.2 The governance structure of the ACCF includes: a secretariat hosted within ONEC3, a technical committee, the donor and, when necessary, the Bank's Board of Directors. The ACCF secretariat will be staffed as follows:

- One existing climate change specialist in ONEC3 will be working part-time as the ACCF coordinator;
- One existing climate change specialist mapped to the Climate Change Coordination Committee (CCCC) will support the coordinator; one existing assistant in ONEC3 will support the team for administrative work;
- The existing ONEC3 communication team (composed of one communication expert, an English speaking editor, a French speaking editor and a design team) will support the work of the ACCF;
- One junior consultant will be contracted to support in managing the ACCF;

- Senior consultants may be contracted on a case-by-case basis for short periods, according to the ACCF's needs. As the ACCF grows to include additional donors, more long-term consultants might be included in the secretariat to support the ACCF coordinator.

5.3 The secretariat, coordinated by a climate change specialist in ONEC3 and supervised by the ONEC3 manager, will be responsible for issuing annual calls for proposals, compiling and pre-screening project proposals vis-à-vis the criteria outlined in each call for proposals, and subsequently preparing the ACCF's annual work programme and budget. The project proposals will originate from eligible recipients, as stated in paragraph 3.1. Bank staff may provide support to potential external recipients to prepare and submit high quality proposals. The first call for proposals will focus on climate finance readiness, supporting activities as stated in Annex 1.

5.4 A technical committee (TC) will be established comprising Bank staff from all relevant departments, including, but not limited to, ONEC, OSAN, OWAS, FRMB, GECL, FFCO, COSP, ORPF and ORQR. The TC will be chaired by the CCC chair and will review the proposals submitted. It will ensure that all proposals are in line with the purpose of the Fund and that they are technically and financially feasible. The Bank department that has supported or is submitting a proposal will abstain from approving the proposal.

5.5 The TC will approve proposals in line with the approval thresholds prescribed in paragraphs 6.1 and 6.2.

5.6 The secretariat will monitor the performance of the projects portfolio and ensure that project completion reports are prepared for each activity financed by the Fund. Work programmes will include a description of each project, programme or activity to be financed from the Fund, including the objectives, scope, beneficiaries, budget, executing entity and implementation schedule.

5.7 The Bank will charge the standard administrative fee of five per cent (5%) to meet the costs and expenses of administering the Fund. The resources will be denominated and accounted for in U.S. Dollars or in Euro.

5.8 The main costs the Bank is expected to incur will be related to staff time for the division manager supervising ACCF operations, staff time for the Fund coordinator and additional staff support for the secretariat. Other expenses include overhead costs for the provision of staff time for the review or approval of proposals, and staff time for the task managers who will be supervising the projects. The 5% fee the Bank charges is expected to cover some of these costs.

5.9 With a view to converting the ACCF from a single- to a multi-donor fund, the chair and constitution of the TC are different from the Bank's governance structure for bilateral trust funds, as specified in the Technical Cooperation Trust Fund Policy approved by the Board of Directors in September 2006.

6 Approval Thresholds

6.1 To reduce transaction costs, the minimum amount for a proposal to be submitted to the ACCF will be USD 250,000. The TC will approve requests for grants of less than the equivalent of USD 500,000. Requests for funding of USD 500,000 and above, but less than USD 1,000,000, shall be cleared by the TC and approved by the donor.

6.2 An activity equal to or exceeding USD 1 million will be submitted for clearance by the TC and the donor, followed by approval by the Board of Directors.

7. Procurement and Disbursement Modalities

7.1 The selection and engagement of consultants under the ACCF will be in accordance with the Bank's *Rules and Procedures for the Use of Consultants*, as amended from time to time. The Bank will ensure that consultant selection and engagement, contract negotiations and conclusions, service procurement, project supervision and grant disbursements are carried out in accordance with Bank's rules and procedures by the executing entity.

7.2 Eligible expenditures under the ACCF include those mentioned in paragraph 4.2. Other expenditures such as goods should be agreed to on a case-by-case basis. Procurement of goods should be processed in accordance with the Bank's *Rules and Procedures for Procurement of Goods and Works*.

7.3 Ineligible expenditures under the ACCF include: salaries for civil servants and employees of NGOs in recipient countries hired as consultants or otherwise; the purchase of vehicles, land, land rights and real estate; and salaries and travel of Bank staff.

7.4 For activities executed by external recipients, disbursement will take place once a) a grant agreement has been signed with the recipient and is declared effective and b) all conditions precedent to disbursement (if any) have been satisfied. For Bank-executed activities, disbursements will be paid directly to consultants and suppliers of services according to the payment schedule in the contract.

8. Reporting, Monitoring and Evaluation

Reporting, Monitoring and Evaluation at the Trustee Level

8.1 The Bank, through the Financial Control department, will furnish the donor with annual financial statements of funds received and disbursed as of December 31st of each year.

8.2 The Bank, through the ACCF secretariat, will produce annual progress reports on the execution of the projects, programmes and activities financed under the Fund.

8.3 The Bank will submit to the donor, not later than six months after exhaustion of the resources under the ACCF, a final activity report as well as a closing financial statement, on the activities financed from the resources.

8.4 All operations financed by the Fund will be subject to the Information Disclosure Policies of the Bank and Fund.

Reporting, Monitoring and Evaluation at the Grant Recipient Level

8.5 Grants that amount to more than USD 500,000 at project completion and that are executed by external recipients will be systematically audited. In the case of grants that amount to more than USD 500,000 and that are Bank-executed, only a few of them will be picked to be audited. The audit fees will be charged to the resources of the grant. The Bank, through the ACCF secretariat, will communicate to the donor the results of the financial audit conducted for grants of more than USD 500,000.

8.6 Within three months of project completion, the executing entity will submit a project completion report covering the implementation of all project activities in a format defined by the Fund. The secretariat will be responsible for reviewing all completion reports provided by executing entities. Lessons distilled from these reports will inform and guide future operations of the Fund.

9. Conclusions

9.1 The ACCF is created in response to the Bank's commitment to mobilize additional climate finance for Africa, and support African countries in becoming more resilient to climate change (e.g. CCAP) and in transitioning to green and low carbon growth (2013-2022 Strategy and Green Growth Framework). The ACCF represents a first step in honoring the Bank's commitment to African countries and the Africa Union to channel more climate finance to the continent.

9.2 The Boards of Directors are therefore invited to:

- i) Approve the proposal for the Africa Climate Change Fund; and
- ii) Authorize the President to sign the proposed Technical Cooperation Agreement establishing the Africa Climate Change Fund with Germany.

Potential activities to be covered under the first call for proposals

(To be confirmed once the call for proposals is launched)

Objectives

The objective of the support provided under the first call for proposals will be to enhance the capacity of African countries to improve the national institutional governance for direct and international access to climate finance; and to develop transformational policies, programs and projects for climate resilience and low carbon growth, in alignment with UNFCCC decisions.

Activities to be supported

To strengthen the “investment readiness” of African countries in the domain of climate change, the following activities would be supported (not exhaustive):

1. Institutional support for national climate finance institutions in relation to the GCF, e.g. National Designated Authorities (NDA) and implementing entities (such as national development banks and other financial intermediaries).
2. Collating and reviewing existing country plans and strategies to prioritize transformational opportunities; and identifying thematic and geographic programmatic options to find planning gaps and marshal the additional data required to fill them.
3. As a basis for future funding decisions, assistance in the implementation of the National Adaptation Planning (NAP) processes, including through support for preparing projects consistent with NAP priorities.
4. Economic and technical evaluation of options for infrastructure development (in individual sectors, or across sectors) in ways that could ensure service delivery in as many climate scenarios as possible.
5. Preparation of programs and projects that promote low carbon development in sectors such as power, transport, forestry, and agriculture.
6. Technical assistance for the preparation of programs and projects that enhance resilience to current climatic variability and change in vulnerable areas and sectors (agriculture, water resource management, transport, urban development, etc.), taking into account UNFCCC decisions on NAP.
7. Development of frameworks to raise finance for climate action, for example, through the syndication of investment plans that could leverage climate finance (especially from the private sector) combining it as appropriate with development assistance.
8. Sharing knowledge and experiences through regional meetings, south-south dialogue and on-going electronic exchanges, in cooperation with institutions and mechanisms under the UNFCCC, such as the Least Developed Countries Expert Group (LEG) or the Nairobi Work Programme.

The Government of Germany is deploying or is planning to deploy in the near future support for climate finance readiness in several RMCs (as of March 2014: Benin, Ghana, Kenya, Morocco, Namibia, South Africa, Tanzania, Uganda, and Zambia). Upstream consultations during this first call for proposals between the African Development Bank and the Government of Germany will ensure that duplication of efforts is avoided and that synergies will be used to the greatest possible extent.

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Vorsitzender des Aufsichtsrats
Hans-Jürgen Beerfeltz, Staatssekretär a. D.

Vorstand
Tanja Gönner (Vorstandssprecherin)
Dr. Christoph Beier (Stellv. Vorstandssprecher)
Dr. Hans-Joachim Preuß
Cornelia Richter

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herewith enter into the following Agreement for

Establishing the Africa Climate Change Fund

Country: **Supraregional**

For correspondence and invoices (Please quote on all correspondence and invoices)

Contract No.: 81170650

Project Processing No.: 11.2063.3-004.00

Project Management

Section/Division: 4730

Responsible: C. Feldkötter

Reference: 4730-CF/BSM

Contract Management

Section/Division: 5320

Responsible: S. Hoffmann

Reference: 5320-SaH

TECHNICAL COOPERATION AGREEMENT

BETWEEN

**THE DEUTSCHE GESELLSCHAFT FUER INTERNATIONALE
ZUSAMMENARBEIT (GIZ) GMBH**

**COMMISSIONED BY
THE FEDERAL MINISTRY FOR COOPERATION AND DEVELOPMENT (BMZ)**

AND

THE AFRICAN DEVELOPMENT BANK

AND

THE AFRICAN DEVELOPMENT FUND

(THE AFRICA CLIMATE CHANGE FUND)

TECHNICAL COOPERATION AGREEMENT (the "Agreement") dated this [] day of [], between the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH (hereinafter referred to as the "GIZ") commissioned by the Federal Ministry for Cooperation and Development (BMZ) (hereinafter referred to as "BMZ"), of the one part, and the African Development Bank (hereinafter referred to as the "Bank") and the African Development Fund (hereinafter referred to as the "Fund"), of the other part (unless the context requires otherwise, all references to the Bank shall include the Fund).

THE PARTIES TO THIS AGREEMENT,

RECALLING the mandates of each of the Bank and the Fund, as well as the commitment expressed by the GIZ commissioned by the BMZ, to contribute to the economic development and social progress of the regional member countries of the Bank (the "Regional Members"), as set forth, respectively, in:

1. Article 1 (Purpose) of the Agreement establishing the Bank (the "Bank Agreement"); and
2. Article 2 (Purpose) of the Agreement establishing the Fund (the "Fund Agreement");

DESIRING to establish a new framework of cooperation between themselves for the benefit of the "Regional Members") through the establishment of the Africa Climate Change Fund (the "ACCF");

WHEREAS the GIZ intends to make available to the Bank and the Fund grant funds (hereinafter referred to as the "Contribution") to assist in the preparation and implementation of development projects and programmes;

WHEREAS the Bank is prepared to accept and administer the Contribution on the terms and conditions hereinafter set forth unless otherwise agreed upon between the GIZ and the Bank;

HAVE AGREED AS FOLLOWS:

ARTICLE I

AMOUNT AND PURPOSES OF THE CONTRIBUTION

- 1.1 The GIZ hereby agrees to make available to the Bank and the Fund a Contribution in the amount of six million one hundred and ninety one thousand six hundred and forty United States Dollars (USD 6,191,640)⁴ on the terms and conditions hereinafter set forth in this Agreement.
- 1.2 The resources of the Contribution shall consist of:
- (a) All sums received from the GIZ in the form of instalments and made available to the Bank and credited to an account to be opened and maintained by the Bank;
 - (b) Interest earned on the account referred to in (a) above; and
 - (c) Investment income earned pursuant to paragraph 2.8 of Article II hereof.
- 1.3 The resources of the Contribution shall be used exclusively for the ACCF, to support Regional Members in their transition to climate resilient and low carbon development as well as allow the Bank to scale up its climate change activities as fully described in paragraph 2 of the Board memorandum herein attached as annex A. In the event that there is any discrepancy or contradiction between the Agreement and annex A, the provisions of the Agreement will prevail.
- 1.4 The resources of the Contribution are untied and shall be used for financing the following activities for the benefit of Regional Members:
- (a) the acquisition of consultancy services and office equipment;
 - (b) the provision of training and capacity building;
 - (c) the provision of technical assistance for various activities including the preparation of policy and sector studies, as well as knowledge management, advocacy and outreach; and
 - (d) other technical assistance activities as may be mutually agreed upon between the parties from time to time.

⁴ This is the equivalent of four million seven hundred and twenty five thousand Euros (EUR 4,725,000) which GIZ transferred to the International Bank of Reconstruction and Development.

- 1.5 The activities to be financed will be in accordance with the Board memorandum herein attached as annex A in particular but not limited to its annex “Potential activities to be covered by the first call for proposals”, and with the Budget as agreed by the parties herein attached as annex B and will be among others, in the areas of climate finance readiness, climate change adaptation and mitigation, green growth, climate resilience and low carbon strategies and policies.

ARTICLE II

ADMINISTRATION AND MANAGEMENT OF THE CONTRIBUTION

- 2.1 The Bank shall, in accordance with its regulations, rules, procedures and policy guidelines, administer and manage the resources of the Contribution through its own organization, services, officers and staff.
- 2.2 The GIZ shall instruct the International Bank of Reconstruction and Development (the “World Bank”) to deposit the resources of the Contribution into the account specified by the Bank (“the Contribution Account”). The contribution shall be transferred in one tranche upon signature of the Agreement.
- 2.3 The GIZ is not directly responsible for the transfer of the Contribution. Accordingly, the GIZ shall not be held liable for damages incurred due to delays in connection with the transfer of the Contribution from the World Bank to the Bank unless GIZ has caused such delay intentionally or as a result of its gross negligence.
- 2.4 In utilizing the resources of the Contribution, 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 GIZ in respect thereof.
- 2.5 The GIZ shall instruct the World Bank that when making a deposit, the World Bank shall send a fax message to the Director of the Treasury Department of the Bank through fax number: (216) 71 330 632 and to the Director of Resource Mobilisation and External Finance Department through fax number: (216) 71-351 933 or such other fax numbers as may be furnished by the Bank to the GIZ from time to time. The message shall contain the following:

- (a) The amount paid in the Contribution Account;
- (b) Statement that the funds are for financing the services, projects, programmes, and activities agreed between the Parties; and
- (c) The date of deposit.

- 2.6 The resources of the Contribution shall be used by the Bank in accordance with the terms of this Agreement. The resources of the Contribution may be co-mingled with other grant assets/resources managed by the Bank, but shall be kept separate and apart from the funds of the Bank and the Fund. The Bank may freely exchange the resources of the Contribution into other currencies as may facilitate their disbursement.
- 2.7 All financial accounts and statements shall be expressed in United States Dollars. The Bank shall maintain separate records and ledger accounts, in respect of the Contribution and disbursements thereof in accordance with its normal procedures.
- 2.8 The Bank may invest and reinvest the funds provided by the GIZ under this Agreement pending their disbursement. The Bank will credit all income from such investment and reinvestment to the Contribution Account.
- 2.9 To meet the costs and expenses of administering the Contribution, the Bank shall charge an administrative fee set at a minimum of five percent (5%) of the total amount of the Contribution. In the event that the Bank determines that the costs and expenses of administration of the Contribution exceed the minimum fee, the parties agree to negotiate in good faith to establish a rate reflecting the actual costs of administration.
- 2.10 The Bank shall observe the highest ethics during the procurement and execution of contracts. Invitations to tender as well as procurement contracts shall, respectively, include a clause stating that the tender/offer will be rejected and the contract cancelled, in case any illegal or corrupt practices have been committed in the award or the execution of the contract. No offer, gift, payments or benefit of any kind, which would or could be construed as an illegal or corrupt practice, shall be accepted, either directly or indirectly, as an inducement or reward for the award or execution of procurement contracts. Any such practice will be grounds for cancellation of the procurement contract concerned.

- 2.11 The Bank shall take appropriate steps with the competent authorities of the beneficiary Regional Members to ensure that consultants engaged under this Agreement are accorded the immunities, privileges and exemptions to which they are entitled under the Agreement Establishing the Bank and the Agreement Establishing the Fund.

ARTICLE III
OPERATIONS

- 3.1 For the purpose of operations under this Agreement, the Bank shall be responsible to the GIZ for the use of the resources of the Contribution.
- 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) Take steps to ensure that disbursements out of the Contribution are applied exclusively for the purposes for which they are made.
- 3.3 Activities financed by the Contribution other than those directly implemented by the Bank shall be implemented by recipients of the resources of the Contribution (hereinafter referred to as the “Recipients”).
- 3.4 The Bank shall prepare annual work programmes, which shall be submitted to the GIZ for its information. Work programmes shall include a description of each project, programme or activity approved to be financed from the Contribution including the objectives, scope, beneficiaries, a budget breakdown, executing agency, and implementation schedule. The work programmes will also list all the entities that are expected to participate in the activities financed by the Contribution.
- 3.5 In the case of grants for activities to be carried out by Recipients, the Bank or Fund shall enter into a grant agreement (“the grant agreement”) with the Recipient, where such is necessary, regarding the provision of the resources of the grant. The GIZ hereby authorizes the Bank to use the resources of the grant to pay the Recipient for eligible expenditure made under and in accordance with the grant agreement. The Bank shall furnish a copy of each grant agreement to the GIZ.

- 3.6 The Bank shall be responsible for the selection and engagement of consultants, negotiation and conclusion of contracts, procurement of goods and services, supervision of projects and disbursement of the proceeds of the Contribution. The selection and engagement of consultants shall follow Bank's Rules of Procedure for the Use of Consultants, as amended from time to time, and the procurement of goods and services shall be in accordance with the Bank's Rules of Procedure for Procurement of Goods and Works, as amended from time to time.
- 3.7 Grant agreements with Recipients shall provide that the resources of the grant shall be used by the Recipients to finance expenditures for consultancy services, goods and services, as the case may be, in accordance with the Bank's rules for procurement of consultants, goods and services. The Bank shall be solely responsible for the administration of the grant agreement and for supervision of the projects, programmes and activities financed by the grant agreement.
- 3.8 Proposals for financing activities under this Agreement shall be approved in the following manner: i) the Bank may approve activities involving grants in amounts equivalent to five hundred thousand United States Dollars (US\$500,000) or less; ii) the Bank shall seek approval from the GIZ for grants in amounts higher than the equivalent of five hundred thousand United States Dollars (US\$5,000,000). A non-response from the GIZ three weeks after submission of a proposal shall be deemed a non-objection and the proposal shall be considered approved.
- 3.9 Any proposal for financing a project, programme or any other activity whose cost exceeds the equivalent of One Million United States Dollars (US\$1,000,000) (or such higher threshold as may be determined by the Board) shall be approved by the Board of Directors of the Bank or Fund, as applicable.

ARTICLE IV
CONSULTATIONS

- 4.1 The GIZ and the Bank and the Fund shall cooperate to ensure that the purpose of the Agreement will be accomplished. To this end, the Parties shall from time to time:
- (a) Exchange views through their representatives with regard to the administration and management of Contribution resources;
 - (b) Furnish to each other information with regard to the general status of resources;

- (c) Consult each other, in particular, whenever either Party proposes to materially modify an agreement entered into or suspend or terminate, in whole or in part, disbursements under this Agreement; and
- (d) Consult each other whenever the Bank identifies a major change of scope in relation to any projects, programmes and activity financed under the Contribution.

4.2 A joint meeting will be held by the Parties once a year to review the progress made and the work programme for the next year.

ARTICLE V

REPORTING AND EVALUATION

- 5.1 The Bank shall furnish the GIZ with annual progress reports on the execution of the projects, programmes and activities financed under the Contributions and the receipt and utilization of the resources as of December 31st each year.
- 5.2 The Bank shall submit to the GIZ annual financial statements, of funds received and disbursed from the Contribution. These reports shall be submitted within six (6) months after the end of the reporting period.
- 5.3 The Bank shall, in accordance with its usual procedures furnish the GIZ with such reports and information as the GIZ may reasonably request concerning the progress of activities financed under the Contribution, and inform the GIZ promptly of any condition which interferes, or threatens to interfere, with the performance by the Bank of its obligations under this Agreement.
- 5.4 The Bank shall submit to the GIZ, not later than six (6) months after exhaustion of the Contribution, a final activity report as well as a final closing financial statement, on the activities financed from the resources of the Contribution.
- 5.5 Upon request of the GIZ and at such times as shall be agreed by the Parties, the Bank will procure the undertaking of an external post-evaluation of the activities financed from the Contribution. The Bank shall fully cooperate with the GIZ in the conduct of the evaluation whose cost shall be charged to the Contribution. The evaluation shall focus on the results achieved, and efficiency, effectiveness of implementation and quality of financial and project administration of the Contribution by the Bank.

- 5.6 All operations financed by proceeds of the Contribution shall be subject to the Information Disclosure Policies of the Bank and Fund.
- 5.7 The annual and closing financial statements referred to in Articles 5.2 and 5.4 above will be audited by the external auditors of the Bank. The cost of such audits shall be charged to the resources of the Contribution.

ARTICLE VI

CHANNEL OF COMMUNICATIONS AND NOTICES

- 6.1 For purposes of this Agreement the representative of the Parties shall be:
- a) For the GIZ: Head of “Climate Protection Programme for Developing Countries” (Sektorvorhaben “Klimaschutzprogramm für Entwicklungsländer”) or the successor thereof in case a redesign/change of programme name takes place; and
 - b) For the **Bank and Fund**: the Director, Resource Mobilisation and External Finance Department (FRMB).

Either Party may, by notice in writing, designate additional representatives.

- 6.2 Any notice or request required to be given or made under this Agreement 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, or facsimile (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 GIZ: Address:

Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH
Postfach 5180 / P.O. Box 5180
65760 Eschborn
Deutschland / Germany
Tel: +49 6196 79-1299
Fax: +49 6196 7980-1299

For the Bank and Fund: Headquarters

African Development Bank
African Development Fund
01 B.P. 1387
ABIDJAN 01
Côte d'Ivoire
Fax: (225) 20 20 40 70

And Temporarily at: Temporary Relocation Agency

African Development Bank
African Development Fund
13, Avenue du Ghana
B.P. 323 1002 Tunis Belvedere, TUNISIA
Tel: (216) 71-333 511
Fax: (216) 71-351 933

ARTICLE VII
SETTLEMENT OF DISPUTES

Any dispute between the Parties arising out of or in connection with this Agreement shall be amicably settled by the Parties.

ARTICLE VIII
FINAL PROVISIONS

- 8.1 The present Agreement shall enter into force on the date of signature thereof.
- 8.2 The Agreement is concluded for a period of three (3) years, however this period may not exceed the end of April 2017. Only expenditures incurred during this period and relating to activities carried out during this period may be financed from the Contribution. Otherwise the written approval of GIZ is required. The above mentioned period may be modified by mutual agreement between the Parties.
- 8.3 The Parties may by a simple exchange of letters signed by both parties amend any provision of this Agreement or enter into supplementary arrangements designed to extend the scope of this Agreement.
- 8.4 The Parties shall, before the resources of the Contribution shall have been fully committed, review the results achieved under this Agreement and consult with each other with a view to deciding whether the term of the Agreement shall be renewed and whether additional resources should be provided under the Contribution. Any replenishment of the Contribution may be effected through a simple exchange of letters between the parties.
- 8.5 Any resources from the Contribution that remain unutilised after all commitments and liabilities have been provided for shall be reimbursed to the GIZ at the end of this Agreement.
- 8.6 Either Party may terminate the present Agreement by giving the other three (3) months' notice in writing. The Parties will consult in advance in case either Party is considering termination of the Agreement. Upon termination of the Agreement, and unless the Parties decide otherwise, contractual obligations entered into between the Bank or Fund, any consultant and/or any third party prior to the receipt of the notice of termination, consistent with the relevant work plan, will not be affected by the termination.

The GIZ may request information from the Bank to establish whether a particular obligation and/or contractual liability is reasonable and consistent with the work plan of the relevant programme, project or activity.

The Bank shall, as soon as reasonably practicable, in the event of a termination of this Agreement, transfer to the GIZ any balance of the resources of the Contribution still outstanding after all remaining obligations have been settled.

- 8.7 The GIZ reserves the right after due consultation with the Bank to stop transfers, claim repayment of all or part of the funds transferred if it establishes that the funds are not being used or have not been used for the implementation of the project, programme or activity agreed.
- 8.8 In the event of a provision of this Agreement being invalid, it shall not affect the validity of the remaining provisions. Any deficiency in consequence thereof shall be remedied by a provision consistent with the purpose and intent of this Agreement.

IN WITNESS THEREOF, the Parties hereto, each acting through its representative duly authorized, have signed two original counterparts of this Agreement on the date first above written.

FOR GIZ

Eschborn, Germany
Deutsche Gesellschaft für
Internationale Zusammenarbeit
(GIZ) GmbH

.....
Head of Division
Contracting, Procurement
and Logistics

.....
Director General
Sectoral Department

**FOR THE AFRICAN DEVELOPMENT
BANK AND THE AFRICAN
DEVELOPMENT FUND**

Tunis, Tunisia
The African Development Bank
and the African Development
Fund

.....

**AFRICA CLIMATE CHANGE FUND - Estimate budget
(Euro)**

March 2014

Items	Amount	Unit	Amount	Unit	Unit Price in Euro	Total
1. Staffing						
Junior Consultant	1	person	36	months	2 000	72 000
Senior Consultant	1	person	36	months	8 000	288 000
2. Management fees						
5% of the total amount of the contribution	5%	4 725 000	236 250		236 250	236 250
3. Annual Audit fees						
Estimated External Audit fees	1	Year	1	Year		20 000
4. Supporting cost						
hosting costs bared by AfDB						-
5. Grant Funding provided to AfDB RMCs						
						4 108 750
Grand Total for the funding proposed						4 725 000