FINANCING AGREEMENT

(Additional Financing for the Support for Capacity Development of the African Union Commission and other African Union Organs Project)

between

INTERNATIONAL DEVELOPMENT ASSOCIATION

and

AFRICAN UNION COMMISSION
FINANCING AGREEMENT

AGREEMENT dated as of the Signature Date between INTERNATIONAL DEVELOPMENT ASSOCIATION ("Association") and AFRICAN UNION COMMISSION ("Recipient") for the purpose of providing additional financing for activities related to the Original Project (as defined in the Appendix to this Agreement).

The Association and the Recipient hereby agree as follows:

ARTICLE I — GENERAL CONDITIONS; DEFINITIONS

1.01. The General Conditions (as defined in the Appendix to this Agreement) apply to and form part of this Agreement.

1.02. Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the General Conditions or in the Appendix to this Agreement.

ARTICLE II — FINANCING

2.01. The Association agrees to extend to the Recipient a grant, which is deemed as Concessional Financing for purposes of the General Conditions, as set forth or referred to in this Agreement, in an amount equivalent to ten million five hundred thousand Special Drawing Rights (SDR 10,500,000) ("Grant"), to assist in financing the project described in Schedule 1 to this Agreement ("Project").

2.02. The Recipient may withdraw the proceeds of the Grant in accordance with Section III of Schedule 2 to this Agreement.

2.03. The Maximum Commitment Charge Rate is one-half of one percent (1/2 of 1%) per annum on the Unwithdrawn Grant Balance.

2.04. The Payment Dates are February 15 and August 15 in each year.

2.05. The Payment Currency is Dollar.

ARTICLE III — PROJECT

3.01. The Recipient declares its commitment to the objective of the Project. To this end, the Recipient shall carry out the Project in accordance with the provisions of Article V of the General Conditions and Schedule 2 to this Agreement.
ARTICLE IV — REMEDIES OF THE ASSOCIATION

4.01. The Additional Events of Suspension consist of the following:

(a) The Recipient's Founding Documents have, in the opinion of the Association, been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of the Recipient to perform any of its obligations under this Agreement.

(b) The Host Country has failed to comply with its obligations under the Headquarters Agreement, provided, however, that the provisions of this paragraph shall not apply if the Recipient establishes to the satisfaction of the Association that alternative arrangements for the operations of the Recipient are in place so as to enable the Recipient to comply with its obligations under this Agreement.

ARTICLE V — EFFECTIVENESS; TERMINATION

5.01. The Additional Condition of Effectiveness consists of the following, namely that the Recipient has updated the operations manual for the Original Project in accordance with Section I.A.3 of Schedule 2.

5.02. The Effectiveness Deadline is the date ninety (90) days after the Signature Date.

5.03. For purposes of Section 10.05 (b) of the General Conditions, the date on which the obligations of the Recipient under this Agreement (other than those providing for payment obligations) shall terminate is twenty years after the Signature Date.

ARTICLE VI — REPRESENTATIVE; ADDRESSES

6.01. The Recipient's Representative is its Chairperson.

6.02. For purposes of Section 11.01 of the General Conditions:

(a) the Association's Address is:
   International Development Association
   1818 H Street, N.W.
   Washington, D.C. 20433
   United States of America; and

(b) the Association's Electronic Address is:
   Telex: 248423 (MCI)
   Facsimile: 1-202-477-6391
   Cable INDEVAS
6.03. For purposes of Section 11.01 of the General Conditions:

(a) the Recipient’s address is:
    African Union Commission
    Roosevelt Street
    P.O. Box 3243
    Addis Ababa
    Ethiopia; and

(b) the Recipient’s Electronic Address is:
    Facsimile:
    +251 11 552 5627
AGREED as of the Signature Date.

INTERNATIONAL DEVELOPMENT ASSOCIATION

By

Authorized Representative

Name: DIARIETOUL GAYE
Title: ACTING VICE PRESIDENT
Date: DECEMBER 28, 2018

AFRICAN UNION COMMISSION

By

Authorized Representative

Name: AMRAN ELSAMAIL
Title: S A Commissions AG /P
Date: 30/12/2018
SCHEDULE 1

Project Description

The objective of the Project is to strengthen the Recipient's capacity to facilitate regional integration results and transformation through enhanced institutional efficiency.

The Project consists of the following parts:

Part A: Strengthening Institutional Capacity

Support for improvement of strategic realignment, planning and management systems, budget execution and procurement, ICT, and staff capacity to provide efficient functional knowledge and corporate services within the Recipient, the African Union Organs, and the NEPAD Planning and Coordination Agency through capacity building for:
(a) realigning and enhancing corporate governance and management systems;
(b) improving operational efficiency through: (i) modernization of ICT infrastructure and (ii) human resources and leadership development; and (c) enhancing stakeholder information, communication, feedback, and participation channels, including the design, development and operationalization of an integrated communications platform.

Part B: Facilitating Regional Integration Results with Stakeholders

Support for facilitating the Recipient's regional integration results in priority areas through capacity building for: (a) leveraging the Recipient's unique convening role to facilitate collective action and promote priority regional economic integration programs, namely the AfCFTA, SAATM, and the Protocol on the Free Movement of Persons; (b) positioning the AU globally for voice and agency through partnerships and representational presence in multilateral institutions and global fora; (c) connecting the AU to its citizens, including through opening up opportunities for youth and women and through disseminating AU data for enhanced institutional visibility; (d) supporting the Recipient in the improvement of monitoring and evaluation capacity; and (e) Project management, coordination, and implementation.
SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements

1. In order to ensure the proper implementation of the Project, the Recipient shall at all times maintain a qualified and experienced staff in adequate numbers, and with terms of reference acceptable to the Association and the resources necessary to carry out the Project with due diligence and efficiency.

2. Project Coordination Team (PCT). Without limitation to paragraph 1 of this Part A, the PCT shall be comprised of appropriate staff of the Recipient assigned by the Chairperson, the Deputy Chairperson, and the Commissioner for the relevant regional integration portfolio area of the Recipient in accordance with the Recipient’s regulations. The PCT shall be responsible for the overall management and implementation of the Project, including annual work programs, budget and planning, fiduciary management and safeguards compliance, communication, monitoring and evaluation, reporting, liaison with African Union Organs, stakeholder groups, capacity building, and addressing implementation bottlenecks as they arise. The PCT shall be coordinated by a Technical Project Coordinator with qualifications, experience, and terms of reference satisfactory to the Association.


(a) The Recipient shall update in a manner acceptable to the Association (and thereafter implement) the Project in accordance with the operations manual for the Original Project, which shall include fiduciary policies and procedures to be followed by the Recipient in conducting its operations, including the Project, such manual to cover, inter alia, financial management, procurement, disbursement and monitoring and evaluation arrangements for the Project.

(b) The Recipient shall ensure that the Project is carried out in accordance with the Operations Manual and shall not amend or waive any of its provisions without the Association’s prior written agreement.

(c) Notwithstanding the foregoing, in the event of any inconsistency between the provisions of the Operations Manual and this Agreement, the provisions of this Agreement shall govern.
B. Agreed Annual Work Plans, Training

1. The Recipient shall:

   (a) prepare under terms of reference acceptable to the Association, and furnish to the Association, not later than March 31 of each Fiscal Year during the period of Project implementation, for the Association's review and agreement, an annual work plan of activities (including training and workshops) proposed for inclusion in the Project during the following calendar year, together with a budget and financing plan for such activities and a timetable for their implementation; and

   (b) thereafter, carry out the Project with due diligence during such following year in accordance with such annual work plan as shall have been agreed by the Association, as such plan may be amended from time to time by prior written agreement between the Association and the Recipient ("Agreed Annual Work Plan").

2. Only activities included in an Agreed Work Plan shall be eligible for inclusion in the Project.

3. The Recipient shall ensure that in preparing any training or workshops proposed for inclusion in the Project under the Agreed Annual Work Plan, it shall identify in the work plan: (a) the objective and content of, and justification for, the training or workshop envisaged; (b) the selection method of institutions or individuals conducting such training or workshop, and said institutions or individuals if already known; (c) the expected duration and an estimate of the cost of said training or workshops; and (d) the personnel selected to attend the training or the workshop.

Section II. Project Monitoring, Reporting and Evaluation

The Recipient shall furnish to the Association each Project Report not later than one month after the end of each calendar semester, covering the calendar semester.

Section III. Withdrawal of the Proceeds of the Grant

A. General

1. Without limitation upon the provisions of Article II of the General Conditions and in accordance with the Disbursement and Financial Information Letter, the Recipient may withdraw the proceeds of the Grant to finance Eligible Expenditures; in the amount allocated and, if applicable, up to the percentage set forth against each Category of the following table.
<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Grant Allocated (expressed in SDR)</th>
<th>Percentage of Expenditures to be Financed (inclusive of Taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Goods, Works, Non-consulting Services, Consultants’ Services, Audits, Training, and Operating Costs for the Project</td>
<td>10,500,000</td>
<td>100%</td>
</tr>
</tbody>
</table>

**TOTAL AMOUNT** 10,500,000

**B. Withdrawal Conditions; Withdrawal Period**

1. Notwithstanding the provisions of Part A above, no withdrawal shall be made for (a) payments made prior to the Signature Date; or (b) payments financed by the grant under the Original Financing Agreement.

2. The Closing Date is June 30, 2021.
APPENDIX

Section I. Definitions


3. "African Union Organs" means: (a) the Assembly of the Union; (b) the Executive Council; (c) the African Union Commission; (d) the Pan-African Parliament; (e) the Court of Justice; (f) the Permanent Representatives Committee; (g) the Specialized Technical Committees; (h) the Economic, Social and Cultural Council; (i) the Financial Institutions; (j) the AU Commission of International Law; (k) the Advisory Board of Corruption; and (l) any successors of said African Union Organs and other organs that may be established by the African Union.

4. "Agreed Annual Work Plan" means each annual work plan for the Project prepared by the Recipient and agreed with the Association in accordance with Section 1.B of Schedule 2 to this Agreement.

5. "Anti-Corruption Guidelines" means, for purposes of paragraph 5 of the Appendix to the General Conditions, the "Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants", dated October 15, 2006 and revised in January 2011 and as of July 1, 2016.

6. "Category" means a category set forth in the table in Section III.A.1 of Schedule 2 to this Agreement.

7. "Fiscal Year" means a fiscal year of the Recipient, commencing on January 1 and terminating on December 31.

8. "General Conditions" means the "International Development Association General Conditions for IDA Financing, Investment Project Financing", dated July 14, 2017, with the modifications set forth in Section II of this Appendix.

9. "Heads of State" means the heads of state and government of the member countries of the Recipient, as defined in the Recipient's Founding Documents.

11. "Host Country" means: (i) the Federal Democratic Republic of Ethiopia in the case of the Recipient; or (ii) any other AU member country hosting an African Union Organ.

12. "ICT" means information and communication technology.

13. "NEPAD Planning and Coordination Agency" means the AU's development agency which coordinates and facilitates the development of NEPAD continent-wide programs and projects, established in 2010, or any successor thereto.

14. "Operating Costs" means the incremental expenses incurred on account of Project implementation, consisting of reasonable expenditures for office supplies, vehicle operation and maintenance, communication and insurance costs, banking charges, rental expenses, office and office equipment maintenance, utilities, document duplication/printing; consumables, travel cost and *per diem* for Recipient's staff for travel linked to the implementation of the Project, and salaries of the Recipient's contractual staff employed for purposes of the Project.

15. "Operations Manual" means the operations manual for the Original Project, as updated in accordance with the provisions of Section I.A.3 of Schedule 2 to this Agreement.

16. "Original Financing Agreement" means the financing agreement providing for a grant to finance the Support for Capacity Development of the African Union Commission and other African Union Organs Project between the Recipient and the Association, dated August 8, 2014, as amended to the date of this Agreement (Grant No. H939-3A).

17. "Original Project" means the Project described in Schedule 1 to the Original Financing Agreement.


19. "Project Coordination Team" and "PCT" means the team established and operating in accordance with the provisions of Section I.A.2 of Schedule 2 to this Agreement.


22. "SAATM" means the Single African Air Transport Market established by Heads of State.

23. "Signature Date" means the later of the two dates on which the Recipient and the Association signed this Agreement and such definition applied to all references to "the date of the Financing Agreement" in the General Conditions.

24. "Training" means the reasonable costs associated with training and workshop participation under the Project, consisting of travel and subsistence costs for training participants, costs associated with securing the services of trainers and presenters, rental of training facilities, preparation and reproduction of training materials, and other costs directly related to course or workshop preparation and implementation.

Section II. Modifications to the General Conditions

The General Conditions are hereby modified as follows:

1. Section 2.06 is modified to read as follows:

"Section 2.06. Financing Taxes

The use of any proceeds of the Grant to pay for Taxes levied by, or in the territory of, the Member Country or in respect of Eligible Expenditures, or on their importation, manufacture, procurement or supply, if permitted by the Legal Agreements, is subject to the Association's policy of requiring economy and efficiency in the use of the proceeds of its credits and grants. To that end, if the Association at any time determines that the amount of any such Tax is excessive, or that such Tax is discriminatory or otherwise unreasonable, the Association may, by notice to the Recipient, adjust the percentage of such Eligible Expenditures to be financed out of the proceeds of the Grant."

2. Paragraphs (b) and (c) of Section 3.18 are modified to read as follows:

"(b) All Financing Payments shall be paid without restrictions of any kind imposed by, or in the territory of, the Member Country, and without deduction for, and free from, any Taxes levied by, or in the territory of, the Member Country.

(c) The Legal Agreements shall be free from any Taxes levied by, or in the territory of the Member Country, or in connection with their execution, delivery or registration."

3. In Section 5.11, paragraph (a) is modified to read as follows:

"Section 5.11. Visits
(g) The Recipient shall take all action necessary or useful to ensure that the Member Country affords all reasonable opportunity for representatives of the Association to visit any part of their territories for purposes related to the Grant or the Project."

4. Section 6.01 is deleted in its entirety and the remaining section in Article VI is renumbered accordingly.

5. Section 8.02 is modified as follows:

(a) Paragraph (j) on Membership is modified to read as follows:

"(j) Membership. The Member Country or any member of the Recipient: (i) has been suspended from membership in or ceased to be a member of the Association; or (ii) has ceased to be a member of the International Monetary Fund."

(b) Paragraph (m) is renumbered as paragraph (n), and a new paragraph (m) is added to read as follows:

"(m) Interference. The Member Country: (i) has taken or permitted to be taken any action which would prevent or interfere with the execution of the Project or the performance by the Recipient of its obligations under the Financing Agreement; or (ii) has failed to afford a reasonable opportunity for representatives of the Association to visit any part of its territory for purposes relating to Grant or the Project."

6. The Appendix (Definitions) is modified as follows:

(a) Paragraph 79 (Member Country) is modified to read as follows:

"79. "Member Country" means the member of the Association in whose territory the Project is carried out or any such member's political or administrative subdivisions. If such activity is carried out in the territory of more than one such member, "Member Country" refers separately to each such member."

(b) Paragraph 94 (Recipient) (Renumbered paragraph 92 (Recipient)) is modified to read as follows:

"[94] [92]. "Recipient" means the party to the Financing Agreement to which the Grant is extended."
Section III. Modifications to the Original Financing Agreement

Section IV.B.2 of Schedule 2 to the Original Financing Agreement is amended to read, in its entirety, as follows:

"2. The Closing Date is June 30, 2021."