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

between

INTERNATIONAL DEVELOPMENT ASSOCIATION

and

AFRICAN UNION COMMISSION

Dated August 8, 2014
AGREEMENT dated August 8, 2014, entered into between INTERNATIONAL DEVELOPMENT ASSOCIATION ("Association") and AFRICAN UNION COMMISSION ("Recipient"). The Recipient and the Association hereby agree as follows:

ARTICLE I — GENERAL CONDITIONS; DEFINITIONS

1.01. The General Conditions (as defined in the Appendix to this Agreement) constitute an integral 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, on the terms and conditions set forth or referred to in this Agreement, a grant in an amount equivalent to sixteen million one hundred fifty thousand Special Drawing Rights (SDR 16,150,000) ("Financing") to assist in financing the project described in Schedule 1 to this Agreement ("Project").

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

2.03. The Maximum Commitment Charge Rate payable by the Recipient on the Unwithdrawn Financing Balance shall be one-half of one percent (1/2 of 1%) per annum.

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 objectives of the Project. To this end, the Recipient shall carry out the Project in accordance with the provisions of Article IV of the General Conditions.

3.02. Without limitation upon the provisions of Section 3.01 of this Agreement, and except as the Recipient and the Association shall otherwise agree, the Recipient
shall ensure that the Project is carried out in accordance with the provisions of 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(a) The Recipient's Documents have, in the opinion of the Association, been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of the Recipient to perform any of its obligations under this Agreement.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 — TERMINATION

5.01. The Effectiveness Deadline is the date ninety (90) days after the date of this Agreement.

5.02. For purposes of Section 8.05(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 ten years after the date of this Agreement.

ARTICLE VI — REPRESENTATIVE; ADDRESSES

6.01. The Recipient's Representative is its Chairperson.

6.02. The Recipient's Address is:

African Union Commission
Roosevelt Street
P.O. Box 3243
Addis Ababa
Ethiopia

Facsimile: +251 11 552 5627
6.03. The Association's Address is:

International Development Association
1818 H Street, N.W.
Washington, D.C. 20433
United States of America

Cable: INDEVAS
Telex: 248423 (MCI)
Facsimile: 1-202-477-6391
Washington, D.C.

AGREED at District of Columbia, United States of America, as of the day and year first above written.

INTERNATIONAL DEVELOPMENT ASSOCIATION

By

[Signature]
Authorized Representative
Name: Dr. Jim Yong Kim
Title: President

AFRICAN UNION COMMISSION

By

[Signature]
Authorized Representative
Name: Dr. Nkosazana Dlamini-Zuma
Title: Chairperson
SCHEDULE 1

Project Description

The objective of the Project is to strengthen the Recipient’s capacity to facilitate economic development results and transformation through enhanced institutional efficiency.

The Project consists of the following parts:

Part A: Strengthening Institutional Capacity

Support for improvement of budget execution, staff capacity, and ICT to provide efficient corporate and functional services through: (a) enhancing corporate governance and management systems and procedures in strategic planning, financial management, budgeting, procurement, recruitment, conference management and all other services as per international standards; (b) driving operational efficiency by (i) modernization of ICT infrastructure; (ii) the development of human resources; and (iii) limited peer-to-peer learning; and (c) enhancing stakeholder communication, feedback and participation through branding, media and outreach.

Part B: Facilitating Economic Development Results with Stakeholders

Support for promotion of regional transformation and improvement of policy standards and African Union agreements monitoring through: (a) supporting effective external partnerships for regional transformation and inclusive growth; (b) monitoring of African Union agreements and programs implementation; and (c) Project monitoring and evaluation and learning.
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 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.

   Project Coordination Team (PCT)

2. Without limitation to paragraph 1 of this Part A, the PCT shall be assigned by the Chairperson and the Deputy Chairperson, shall comprise of appropriate staff of the Recipient as per the Recipient’s regulations, and shall be responsible for overall management and implementation of the Project including annual work programs, budgets 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 adopt (and thereafter implement the Project in accordance with) an operations manual, acceptable to the Association, 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. Anti-Corruption

The Recipient shall ensure that the Project is carried out in accordance with the provisions of the Anti-Corruption Guidelines.

C. 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 Annual 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 an 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 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

A. Project Reports

The Recipient shall monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 4.08 of the General Conditions and on the basis of indicators acceptable to the Association. Each Project Report shall cover the period of one calendar semester, and shall be furnished to the Association not later than 45 days after the end of the period covered by such report.
B. Financial Management, Financial Reports and Audits

1. The Recipient shall maintain or cause to be maintained a financial management system in accordance with the provisions of Section 4.09 of the General Conditions.

2. Without limitation on the provisions of Part A of this Section, the Recipient shall prepare and furnish to the Association not later than 45 days after the end of each calendar quarter, interim unaudited financial reports for the Project covering the quarter, in form and substance satisfactory to the Association.

3. The Recipient shall have its Financial Statements audited in accordance with the provisions of Section 4.09 (b) of the General Conditions. Each audit of the Financial Statements shall cover the period of one Fiscal Year of the Recipient. The audited Financial Statements for each such period shall be furnished to the Association not later than six months after the end of such period.

4. In order to ensure the timely carrying out of the audits referred to in Part B.3 of this Section II, the Recipient shall engage auditors for the purpose not later than 3 months after the Effective Date, with terms of reference and qualifications and experience acceptable to the Association and in accordance with the provisions of Section III of this Schedule.

Section III. Procurement

A. General

1. Goods, Works and Non-consulting Services. All goods, works and non-consulting services required for the Project and to be financed out of the proceeds of the Financing shall be procured in accordance with the requirements set forth or referred to in Section I of the Procurement Guidelines, and with the provisions of this Section.

2. Consultants’ Services. All consultants’ services required for the Project and to be financed out of the proceeds of the Financing shall be procured in accordance with the requirements set forth or referred to in Sections I and IV of the Consultant Guidelines, and with the provisions of this Section.

3. Definitions. The capitalized terms used below in this Section to describe particular procurement methods or methods of review by the Association of particular contracts, refer to the corresponding method described in Sections II and III of the Procurement Guidelines, or Sections II, III, IV and V of the Consultant Guidelines, as the case may be.
B. Particular Methods of Procurement of Goods, Works and Non-Consulting Services

1. **International Competitive Bidding.** Except as otherwise provided in paragraph 2 below, goods, works and non-consulting services shall be procured under contracts awarded on the basis of International Competitive Bidding.

2. **Other Methods of Procurement of Goods, Works and Non-consulting Services.** The following table specifies the methods of procurement, other than International Competitive Bidding, which may be used for procurement of goods, works and non-consulting services for those contracts specified in the Procurement Plan:

<table>
<thead>
<tr>
<th>Procurement Method</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a) Limited International Bidding</td>
</tr>
<tr>
<td>(b) Open Tendering Method in accordance with procedures which have been found acceptable to the Association</td>
</tr>
<tr>
<td>(c) Shopping</td>
</tr>
<tr>
<td>(d) Direct Contracting</td>
</tr>
</tbody>
</table>

C. Particular Methods of Procurement of Consultants’ Services

1. **Quality- and Cost-based Selection.** Except as otherwise provided in paragraph 2 below, consultants’ services shall be procured under contracts awarded on the basis of Quality and Cost-based Selection.

2. **Other Methods of Procurement of Consultants’ Services.** The following table specifies methods of procurement, other than Quality and Cost-based Selection, which may be used for consultants’ services. The Procurement Plan shall specify the circumstances under which such methods may be used.

<table>
<thead>
<tr>
<th>Procurement Method</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a) Least-Cost Selection</td>
</tr>
<tr>
<td>(b) Quality-Based Selection</td>
</tr>
<tr>
<td>(c) Selection Under a Fixed-Budget</td>
</tr>
<tr>
<td>(d) Selection Based on the Consultants’ Qualifications</td>
</tr>
<tr>
<td>(e) Single-Source Selection</td>
</tr>
<tr>
<td>(f) Selection of Individual Consultants</td>
</tr>
</tbody>
</table>
D. Review by the Association of Procurement Decisions

The Procurement Plan shall set forth those contracts which shall be subject to the Association’s Prior Review. All other contracts shall be subject to Post Review by the Association.

Section IV. Withdrawal of the Proceeds of the Financing

A. General

1. The Recipient may withdraw the proceeds of the Financing in accordance with the provisions of Article II of the General Conditions, this Section, and such additional instructions as the Association shall specify by notice to the Recipient (including the “World Bank Disbursement Guidelines for Projects”, dated May 2006, as revised from time to time by the Association and as made applicable to this Agreement pursuant to such instructions), to finance Eligible Expenditures as set forth in the table in paragraph 2 below.

2. The following table specifies the categories of Eligible Expenditures that may be financed out of the proceeds of the Financing (“Category”), the allocations of the amounts of the Financing to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category:

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Financing 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,</td>
<td>16,150,000</td>
<td>100%</td>
</tr>
<tr>
<td>Consultants’ Services, audits, Training, and</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operating Costs</td>
<td></td>
<td></td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>16,150,000</td>
<td></td>
</tr>
</tbody>
</table>

B. Withdrawal Conditions; Withdrawal Period

1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made for payments made prior to the date of this Agreement except that withdrawals up to an aggregate amount not to exceed $500,000 equivalent may be made for payments made prior to this date but on or after March 17, 2014, for Eligible Expenditures.

2. The Closing Date is December 31, 2018.
C. Other Undertakings

The Recipient shall, not later than three months after the Effective Date, recruit a Project accountant with qualifications, experience and terms of reference satisfactory to the Association.
APPENDIX

Section I. Definitions


2. “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.

3. “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 I.C of Schedule 2 to this Agreement.


5. “Category” means a category set forth in the table in Section IV 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 Credits and Grants”, dated July 31, 2010, with the modifications set forth in Section II of this Appendix.


11. “ICT” means information and communication technology.
12. "Open Tendering Method" means the Recipient’s open tendering method in accordance with procedures which have been found acceptable to the Association as set forth in the Operations Manual and the Procurement Plan.

13. "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 staff for travel linked to the implementation of the Project, and salaries of the Recipient’s contractual staff employed for purposes of the Project.

14. "Operations Manual" means the operations manual to be adopted in accordance with the provisions of Section I.A.3 of Schedule 2 to this Agreement.


16. "Procurement Plan" means the Recipient’s procurement plan for the Project, dated March 21, 2014, and referred to in paragraph 1.16 of the Procurement Guidelines and paragraph 1.24 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.

17. "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.

18. "Recipient’s Documents" means the Constitutive Act of the African Union adopted on July 11, 2000 and the Statutes of the African Union Commission adopted July 2002, as the same may be amended from time to time.

19. "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 modifications to the “International Development Association General Conditions for Credits and Grants”, dated July 31, 2010, are as follows (all references to Sections and the Appendix are to Sections of and the Appendix to said General Conditions):
A. In Section 2.06 (Financing Taxes), the text “Taxes levied by, or in the territory of, the Recipient” is modified to read “Taxes levied by, or in the territory of, the Member Country”.

B. In Section 3.10 (Manner of Payment), the text “Taxes levied by, or in the territory of the Recipient” is modified to read “Taxes levied by, or in the territory of, the Member Country”.

C. Paragraph (a) of Section 4.09 (Financial Management, Financial Statements, Audits) is modified to read as follows:

“(a) The Recipient shall maintain or cause to be maintained a financial management system and prepare financial statements (“Financial Statements”) in accordance with consistently applied accounting standards acceptable to the Association, both in a manner adequate to reflect the operations and financial condition of the Recipient, including the operations, resources and expenditures related to the Project.”

D. Paragraph (a) of Section 4.11 (Visits) is modified to read as follows:

“(a) The Recipient shall take all measures required on its part to enable the representatives of the Association to visit any part of the Member Country’s territory for purposes related to the Financing or the Project.”

E. Section 5.01 (Financial and Economic Data) is deleted in its entirety.

F. In sub-paragraph (ii)(B) of Section 6.02 (i) (Assignment of Obligations; Disposition of Assets), the expression “Project Implementing Entity” is modified to read “Recipient”.

G. Section 6.02 (j) (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.”

H. In Sections 6.02 (k) (Condition of Project Implementing Entity) and 6.02 (l) (Ineligibility), all references to “Project Implementing Entity” are modified to read “Recipient”.

I. A new paragraph (m) is added to Section 6.02 (Suspension by the Association) (and the existing paragraph (m) is renumbered as (n)) to read as follows:
“(a) Interference. The Member Country has: (i) 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) failed to afford a reasonable opportunity for representatives of the Association to visit any part of its territory for purposes related to Financing or the Project.”

J. A new definition is added as paragraph 35 of the Appendix to read as follows, and the existing paragraph 35 and subsequent paragraphs (all and references to such paragraph numbers) are renumbered accordingly:

35. “Member Country” means the member of the Association in whose territory the Project is carried out or any of 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.”

K. The definition of “Recipient” (as renumbered pursuant to the addition of the definition of Member Country) is modified to read as follows:

“46. “Recipient” means the entity which is a party to the Financing Agreement and to which the Financing is extended.”