

MULTI-DONOR ARRANGEMENT

FOR THE

AFRICA CLIMATE CHANGE FUND

THIS MULTI-DONOR ARRANGEMENT (this "Multi-donor Arrangement" or "Arrangement") entered into by and among the African Development Bank (the "Bank"), the African Development Fund (the "Fund"), the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH ("GIZ"), commissioned by the German Federal Ministry for Cooperation and Development (GIZ contract number: 81178998), the Italian Ministry for the Environment, Land and Sea, the Government of Flanders in the Kingdom of Belgium, represented by the Flanders Department of Foreign Affairs and any other Government or entity that becomes a signatory to this Arrangement (collectively referred to as the "Donors"), for the purpose of providing the terms which will govern the contribution, as well as the administration and utilization by the Bank, of the contributions to be made available by the Donors for purposes of financing activities under the Africa Climate Change Fund ("ACCF") of the Bank and the Fund.

WHEREAS the Bank is an international financial institution established by Agreement by and among its member states to contribute to the sustainable social and economic development of its regional member countries (the "Regional Members");

WHEREAS the Fund was established by Agreement by and between the Bank and certain State participants for the purpose of assisting the Bank in fulfilling its mandate;

WHEREAS the Bank and the Fund (collectively hereinafter referred to as the "Bank", except where the context requires otherwise), towards fulfilling their respective mandates, share a common objective to establish and administer ACCF to provide technical assistance and capacity building to support Regional Member Countries ("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;

WHEREAS each of the Donors has indicated its willingness to support the Bank in achieving the aforementioned objectives;

WHEREAS the Bank is willing and able to accept the administration and management of the contributions from Donors for the purposes of the ACCF, and desires that such contributions be administered and managed in accordance with the common terms set forth in this Multi-donor Arrangement;

NOW THEREFORE the Donors and the Bank (collectively referred to as the "Parties") agree as follows:

ARTICLE I
PURPOSE OF THE ACCF - ELIGIBLE ACTIVITIES

1. The purpose of the ACCF is to provide financing to support RMCs in their transition to climate resilient and low carbon development, including through the implementation of Nationally Determined Contributions (NDCs), as well as to enable the Bank to scale up its climate change activities, as more fully described in a document titled "*Proposal for the Conversion of the Africa Climate Change Fund into a Multi-Donor Trust Fund*" approved by the Board of Directors of the Bank (the "Board Memorandum"), hereto attached as Annex 1.
2. The resources of the ACCF shall be used for financing the following activities in the areas of climate finance readiness, climate change adaptation and mitigation, green growth, climate resilience and low carbon strategies and policies:
 - (a) the acquisition of consultancy services and office equipment;
 - (b) the provision of training and capacity building;
 - (c) the preparation of studies, strategies and analytical pieces as well as the provision of knowledge management, communications, advocacy and outreach;
 - (d) other administrative costs and fees in accordance with the Bank's applicable policies and procedures; and
 - (e) other technical assistance activities as may be mutually agreed upon between the Parties from time to time.

ARTICLE II
CONTRIBUTIONS

1. Any State eligible to become a member of the Bank or any entity acceptable to the Bank may become a Donor upon the delivery of a duly executed Letter of Participation substantially in the form attached as Annex 2 hereto.
2. Each Donor hereby agrees to participate in and contribute to the ACCF, and accepts that this Multi-donor Arrangement will govern:
 - (a) its participation in and contribution to the ACCF; and
 - (b) the administration of its contribution(s) by the Bank for purposes of the ACCF.
3. Each Donor will contribute funds in the form of grants (the "Contribution(s)") for the ACCF, in a specified amount to be made available in one or more tranches corresponding to the work programme of the ACCF. The amount of each Contribution, and the payment schedule for the Contribution will be agreed with each Donor and set out in a Contribution Payment Schedule signed by the Donor.
4. Each Donor will, on the specific dates agreed with the Bank, deposit the proceeds of its Contribution in a special account to be opened by the Bank for

the purpose of receiving the Contributions (hereinafter referred to as the "ACCF Account").

5. The Contributions will be administered and utilized by the Bank in accordance with the terms of this Multi-donor Arrangement exclusively to finance activities under the ACCF, in conformity with the objectives herein and in accordance with the Bank's rules and regulations.
6. All Contributions to the ACCF will be administered as untied grant resources.
7. The Bank will be entitled to draw on the proceeds of the Contributions for financing the fees and other reimbursable costs of the activities to be financed pursuant to Articles II and III hereof in accordance with the Bank's applicable policies and procedures.
8. The proceeds of the Contributions may be freely exchanged by the Bank into other currencies as may facilitate the utilization and administration of the resources contributed.
9. Resources provided under this Arrangement may be commingled with other trust fund resources managed by the Bank, but shall be kept separate and apart from the funds of the Bank.
10. The Bank will have no obligation to repay any Donor, proportionally or otherwise, the amount of resources already committed or disbursed to meet the cost of activities under the ACCF in accordance with the terms of this Arrangement. Notwithstanding the foregoing, the Bank shall make its best efforts to reclaim any funds that are used for purposes other than those approved or that have not been used for the implementation of the projects, programmes or activities agreed, and any Donor shall have the right to claim repayment of a pro rata portion of any amounts actually recovered from the ultimate recipient.
11. The Bank may invest and reinvest the proceeds of the Contributions, including accrued interest, pending their application for the purposes provided hereunder. The income from such investment or reinvestment will be retained in the ACCF Account for use for the same purposes as provided herein.
12. Disbursements of proceeds of the Contributions will be in accordance with the terms of this Arrangement.
13. The Donors reserve the right after due consultation with the Bank to stop transfers, or claim repayment from the ultimate recipients of all or part of the funds transferred if it is established that the funds are used for purposes other than those approved or have not been used for the implementation of the projects, programmes or activities agreed.

ARTICLE III
USE OF THE PROCEEDS OF THE CONTRIBUTIONS

1. Requests for financing from the proceeds of the Contributions provided herein, shall be considered on the basis of documentation including the following information:
 - (a) objectives and expected results of the proposed activity;
 - (b) terms of reference of the study/consultancy service or general description of the activity;
 - (c) cost estimates; and
 - (d) an implementation schedule.

2. Proposals for financing activities under this Multi-donor Arrangement shall be approved in the following manner: the Bank may consider and approve requests for financing from the proceeds of the Contributions for any amounts not exceeding the equivalent of US\$500,000. Any request for financing above the equivalent of US\$500,000 but not exceeding the equivalent of US\$1,000,000, will be submitted for the approval of an Oversight Committee established by the Bank and constituted by representatives of the Bank and Donors (the "Oversight Committee"). The Oversight Committee shall establish its decision making methods and procedures. All requests for financing for an amount exceeding the equivalent of US\$1,000,000 (or such higher threshold as may be determined by the Board) will be submitted for the approval of the Board of Directors of the Bank or Fund as applicable.

ARTICLE IV
ADMINISTRATION OF THE CONTRIBUTIONS

1. The Bank will, in accordance with its rules, regulations and policy guidelines, administer the Contributions through its own organization, services, officers and staff. The Bank designates its Resource Mobilisation and Partnerships Department as the organizational unit responsible for general communications and reporting concerning the implementation of the Bank's obligations and the financial management and administration of the Contributions. The Climate Change and Green Growth Department, or any other organizational unit assigned by the Bank, will be responsible for the implementation of the Bank's obligations under this Arrangement with regard to the execution of the activities and related technical matters.

2. The Contributions will be administered, in accordance with the terms of this Multi-donor Arrangement, and the common understanding of the Parties as expressed in the Board Memorandum, as may be modified or replaced from time to time by the mutual consent of the Donors and the Bank.

3. The Bank shall be responsible only for performing those functions specifically set forth in this Multi-donor Arrangement and shall not be subject to any other duties or responsibilities to the Donors, including, without limitation, any duties or obligations that might otherwise apply to a fiduciary or trustee under general

principles of trust or fiduciary law. Nothing in this Multi-donor Arrangement shall be considered a waiver of any privileges or immunities of the Bank and the Fund under their respective Agreements of establishment or any applicable law, all of which are expressly reserved.

4. The Oversight Committee will meet at least once a year, to review the progress made during the year and examine the annual work programme and objectives of the ACCF for the coming year. The Bank may also consult with the Donors whenever it identifies a major change of scope in relation to activities financed or to be financed under the ACCF. The Bank will provide the venue for meetings, and may extend invitations to representatives of recipient RMCs and organizations, or such other interested parties as the Oversight Committee may invite, to attend the meetings of the Oversight Committee as observers.
5. In administering the Contributions, the Bank will exercise the same care in the discharge of its functions under this Multi-donor Arrangement as it exercises with respect to the administration and management of its own resources and affairs, and will have no further liability to any of the Donors in respect thereof, subject to Article II.10 and II.13 above.
6. When making payments, Donors will instruct their relevant service/financial intermediary to advise the Treasury Department of the Bank by SWIFT as to the amount of each payment into the ACCF Account, the name and other relevant particulars of the Donor making payment, and the date of such payment.
7. All financial accounts and statements prepared in relation to the ACCF will be expressed in US Dollars or any other convertible currency selected by the Donors and the Bank.
8. The management of the Contributions will be subject to the usual internal financial control procedures of the Bank.
9. The Bank will maintain separate records and ledger accounts in respect of the Contributions and disbursements thereof.
10. In the discharge of its operational functions, the Bank will:
 - (a) to the extent applicable, use the methods it employs to control disbursement of its own resources; and
 - (b) ensure that payments from the proceeds of the Contributions are exclusively for the purposes of the ACCF.
11. Activities financed by the Contributions shall be implemented by recipients of the resources of the Contribution.
12. The selection and engagement of consultants, and the procurement of goods and services financed by the Contributions shall be carried out in accordance with the Bank's applicable rules and procedures, as amended from time to time. Where a project is implemented by a third party, the Bank shall oblige the third party to comply with the aforementioned rules and procedures.

13. 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.
14. The Bank will deduct five per cent (5%) of each Contribution upon receipt, and shall apply the amount deducted towards meeting the costs and expenses of administering the Contributions. In the event that the Bank determines that the costs and expenses of administration of the ACCF exceed the minimum fee, the Donors agree to negotiate in good faith to establish a rate reflecting the actual costs of administration.

ARTICLE V **REPORTING AND CONSULTATION**

1. The Bank will, in accordance with its usual procedures, keep and maintain separate records of account of the proceeds of the Contributions and activities financed under this Arrangement.
2. The Bank will furnish all Donors to the ACCF with the following documents, reports and financial statements:
 - i) a set of operational guidelines and a results management framework;
 - ii) an annual work programme and budget for the coming year;
 - iii) annual reports on the use of the Contributions and the implementation of the ACCF, which shall be submitted as part of the periodic updates regarding the use of donor resources;
 - iv) annual financial statements of Contributions received and disbursed;
 - v) The annual and closing financial statements referred to in this Article V(2) will be audited by external auditors of the Bank. The cost of such audit shall be charged to the resources of the ACCF Account;
 - vi) an electronic copy of the final version of the project completion report for each activity financed under the ACCF; and
 - vii) a final report, to be submitted within one (1) year of the expiration of this Multi-donor Arrangement, including audited financial statements, summarizing activities funded under the ACCF, results achieved, lessons learned and overall Bank comments as to the results of the ACCF.
3. Prior to the end of each work programme period for which Contributions have been provided, the Parties to this Multi-donor Arrangement will review the

results achieved by the ACCF and consult with each other, with a view to deciding whether additional Contributions should be provided.

4. Each grant exceeding an amount of US\$ 500,000 for activities executed by external recipients shall be audited upon completion of the activities. The costs of such audit will be charged to the resources of the grant.
5. Upon the request of a simple majority of the Donors, the Bank will conduct an external evaluation of the activities financed under this Arrangement. The Bank shall fully cooperate with the Donors in evaluating the ACCF at such times as may be agreed upon among the Parties. The evaluation shall focus on the results achieved, and efficiency, effectiveness of implementation and quality of financial and project administration of the ACCF by the Bank. The expenses and costs of such evaluation shall be paid from the resources in the ACCF Account.

ARTICLE VI **ACKNOWLEDGEMENTS**

1. The Bank may, where and to the extent it considers appropriate, acknowledge the Contributions in any reference made by it with respect to the ACCF in publications, speeches, press releases and other similar media.

ARTICLE VII **TERMINATION OF THE ARRANGEMENT**

1. If, at any time, the Bank determines that the purposes of the Multi-donor Arrangement can no longer be effectively or appropriately carried out, it may terminate the Arrangement by giving the Donors not less than six (6) months' prior written notice to this effect.
2. Upon termination or expiration of the Multi-donor Arrangement, and unless the Parties otherwise agree, any agreement entered into between the Bank, any consultant, and/or any third party prior to the effective date of the termination of this Arrangement will not be affected by the termination and the Bank will be entitled to continue to receive and disburse the proceeds of the Contributions in respect of such agreements to the extent necessary in order to fulfil the Bank's obligations under such agreements as if the Multi-donor Arrangement had not been terminated. Except as otherwise agreed by each Donor, upon termination of the Multi-donor Arrangement, and following disbursements for the cost of activities financed under the ACCF, as well as any other related costs of administering the Contributions, the Bank will return to each Donor a pro rata portion of the funds in the ACCF Account.
3. A Donor may decide not to continue its participation in the ACCF by giving written notice of not less than six (6) months to the Bank and, upon the expiration of the notice period, ceasing to make future Contributions to the Bank

for purposes of the ACCF. The decision not to make future Contributions will, however, not release such Donor from full payment to the Bank of any Contributions previously committed to the Bank.

ARTICLE VIII **EFFECTIVE DATE OF THE ARRANGEMENT**

1. This Arrangement will become effective and operational upon its signature by the Bank and any two (2) Donors.
2. Upon its entry into effect, this Arrangement shall replace and supersede the Technical Cooperation Agreement between GIZ and the African Development Bank and the African Development Fund (the "TCA") establishing the ACCF. All funds provided to ACCF under the TCA will be subject, with any necessary modifications, to the terms of this Arrangement; provided that an amount equivalent to the Contribution made by GIZ under the TCA shall have been committed by 31 December 2020 and disbursed by 30 June 2021.

ARTICLE IX **AMENDMENT**

This Multi-donor Arrangement may be modified by the written consent of the Bank and all Donors, each of which will give full and sympathetic consideration to any proposal to amend the Arrangement. Amendments, however, will not be inconsistent with the scope and objectives of the ACCF as approved by the Board of Directors of the Bank.

ARTICLE X **NOTICE**

Any notice to be given to the Bank in respect of this Multi-donor Arrangement will be effectively given if delivered or sent by letter or fax addressed to the Bank at the address given below or other new address provided in writing by the Bank to the Donors:

Any notice to the Bank will be addressed to:

Director
Resource Mobilisation and Partnerships Department
African Development Bank
01 B.P. 1387
Abidjan 01
Côte d'Ivoire
Tel. +225 2026 2076

Any notice to a Donor will be effectively given if delivered or sent by letter or fax to the address and telecopy number provided at the time of signature of this Arrangement, or any new address provided in writing by such Donor.

ARTICLE XI **DISPUTE RESOLUTION**

Any dispute arising out of or in connection with this Arrangement, including disputes concerning the interpretation or application of any provision herein contained will be settled amicably by the Parties.

ARTICLE XII **GENERAL PROVISIONS**

1. This Multi-donor Arrangement will not be assigned by the Bank without the prior consent of the Donors.
2. This Multi-donor Arrangement is not an international treaty. It is an administrative arrangement by and among the Donors and the Bank.
3. The operations of the ACCF shall be subject to the Sanctions and Information Disclosure Policies of the Bank and the Fund.
4. In the event that the approval of the Donors is sought by the Bank on any matter, such matter will be deemed approved by a Donor if it shall not have communicated its concurrence or objection to such matter within twenty (20) working days from the date of receipt of the request.
5. A party may terminate its participation in this Multi-donor Arrangement or have the right to demand cancellation of, or as the case may be, cancel, subject to its terms, any contract financed under this Arrangement, with immediate effect if it determines, with respect to any contract to be financed under this Arrangement, that corrupt or fraudulent practices were engaged in by the representative(s) of a party or of a beneficiary of the proceeds of the Contributions during procurement or during the execution of the contract without such party having taken timely and appropriate action to remedy the situation.
6. This Multi-donor Arrangement shall be effective for a period of five (5) years from its Effective Date, unless extended by mutual agreement. The above mentioned period may be modified by mutual agreement of the Bank and at least two (2) Donors.
7. In the event of a provision of this Arrangement 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 Arrangement.

IN WITNESS WHEREOF, the Undersigned, being duly authorized, have signed the present Arrangement.

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



By: Amadou Hott

Title: Vice President Power, Energy, Climate and Green Growth

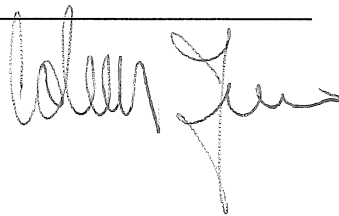
Date: 27 AVR. 2017

**FOR THE MINISTRY FOR THE ENVIRONMENT, LAND
AND SEA OF THE ITALIAN REPUBLIC**

By: Francesco La Camera

Title: Director General

Date: 08 MAG. 2017



FOR THE GOVERNMENT OF FLANDERS IN
THE KINGDOM OF BELGIUM, REPRESENTED BY THE FLANDERS
DEPARTMENT OF FOREIGN AFFAIRS

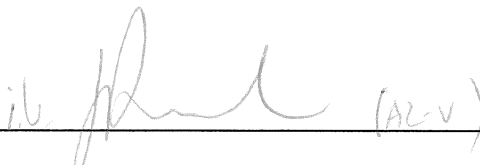


By: Koen Verlaeect

Title: Secretary General

Date: 23/05/17


FOR DEUTSCHE GESELLSCHAFT FÜR INTERNATIONALE
ZUSAMMENARBEIT (GIZ) GmbH



By: Immanuel Gebhardt

Title: Head of Division Procurement and Contracting

Date: 12 AVR. 2017



Wibke Kretschmann

By: Wibke Kretschmann

Title: Head of Section Procurement and Contracting 4

Date: 12 AVR. 2017

ANNEX 1

Proposal for the Conversion of the Africa Climate Change Fund into a Multi-Donor Trust Fund

Proposal for the conversion of the Africa Climate Change Fund into a Multi-donor Trust Fund

1. Introduction

1.1 In 2013, the African Development Bank approved its 2013-2022 strategy, which is designed to position 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. In 2015, the Bank identified five key priority areas in which it will focus its investments: light up and power Africa, feed Africa, industrialise Africa, integrate Africa, and improve the quality of life for the people of Africa (referred to as the "High 5s"). In addition, the Bank is currently updating its Climate Change Action Plan.

1.2 The contribution of most African countries to climate change is minimal. Yet a combination of geographic and economic factors, together with a dependence on basic natural resources make Africa the most vulnerable continent to adverse 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 1.4% annually¹, and the costs of adaptation could reach 3% in GDP loss each year by 2030² and 6% by 2100³. A 2015 UNEP report⁴ estimates that Africa will need between USD 7 billion and USD 15 billion per year by 2020 and between USD 50 billion to USD 100 billion (depending on the degree of warming) by 2050 to meet its adaptation challenges.

1.3 Progress is being made globally towards mobilising and scaling up climate finance – notably with the establishment of the Green Climate Fund (GCF). However, the amount of climate finance flowing to the African continent remains below the estimated needs and the continent continues to receive a relatively small share of global climate finance disbursements compared to other regions. Several factors contribute to African countries' limited access to climate finance to date, including a weak enabling environment to attract climate investment; and limited institutional capacity to access and manage finance and to develop bankable climate projects; as well as cumbersome processes and requirements of international funds and institutions. In recent years, there has been growing recognition of the importance of preparatory or "readiness" activities that help countries to strengthen their capacities and enabling environment to access and mobilise climate finance.

1.4 In response, the Bank has been progressively mainstreaming climate change mitigation and adaptation into its development activities and has undertaken several initiatives to support African countries to strengthen climate resilience and enable a transition to low-carbon, green growth. Its strategy for the period 2013 – 2022 emphasises the twin goals of inclusive growth and a transition towards green growth, while its Climate Change Action Plan (which is currently being updated) seeks to promote low carbon development and strengthen climate change adaptation and resilience. The Bank has taken the lead in supporting regional member countries (RMCs) in their transition to climate resilient and low carbon growth, through technical assistance and project financing. In 2014,

¹ *The Cost of Adaptation to Climate Change in Africa*, AfDB Report, 2012.

² Figure given by the FUND model run under the UNEP AdaptCost project.

³ *Africa's Adaptation Gap 2 – Bridging the Gap, mobilizing sources*. UNEP 2015

⁴ *Africa Adaptation Gap – Bridging the Gap, mobilizing sources*. UNEP 2015.

the Bank mobilized USD 1.92 billion in climate finance, of which USD 1.16 billion for mitigation and USD 760 million for adaptation, a 60% increase from the USD 1.2 billion mobilized the previous year. The Bank has made the ambitious commitment to triple its climate financing to reach USD 5 billion annually by 2020. In addition to its own resources, the Bank also mobilises climate finance through various trust funds including the Sustainable Energy Fund for Africa (SEFA), the Africa Water Facility (AWF), the Climate for Development Programme in Africa (Clim-Dev) Spécial Fund (CDSF) and the Congo Basin Forest Fund (CBFF). Furthermore, the Bank is an implementing entity for various international climate funds, including the Climate Investment Funds (CIFs) and the Global Environment Facility (GEF), and it has recently been accredited to the GCF.

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 mobilize more financing for climate smart activities and investments, and to integrate climate change resilience and mitigation into initiatives to advance the High 5s. At the international level, the operationalization of the GCF, for which the Bank has been accredited as an implementing entity⁵, provides a unique opportunity for the Bank to show its ability to catalyse and channel more climate finance to African countries. 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 Africa Climate Change Fund (ACCF) was established in April 2014 to support African countries in building their resilience to the negative impacts of climate change and in transitioning to sustainable low-carbon growth. It was conceived as a bilateral trust fund with an initial untied contribution of EUR 4,725,000 from Germany for an initial period of three years, with the objective to scale-up to a multi-donor trust fund as soon as at least one new donor is ready to join. The ACCF is hosted and managed by the Bank, and complements other Bank trust funds, with a scope that was designed to be sufficiently broad to cover various types of activities related to climate resilient and low carbon growth.

1.7 In the two years since its creation, the ACCF has established itself as a climate financing mechanism to support preparatory activities and small scale projects across the African continent. It has growing visibility and an emerging pipeline of projects whose value exceeds the financing currently available, and demand for resources is strong and growing. In response to its first call for proposals, focused on climate finance readiness, the ACCF received over 360 proposals from African governments, research institutions and NGOs, as well as Bank departments, of which 22 were shortlisted for appraisal. The first projects were considered by the ACCF's Technical Committee in July 2015, and by mid-2016, the ACCF had approved eight projects for an amount of USD 3.3 million. While the project approval and disbursement process has taken longer than originally envisaged, approved projects are now advancing smoothly and lessons learned from the first call for proposals will inform and improve the project cycle process moving forward.

1.8 Towards the end of 2015, the government of Italy agreed to join the ACCF with a contribution of EUR 4.7 million. This contribution has initiated the conversion of the ACCF to a multi-donor trust fund, as originally envisaged, and will enable the ACCF to scale-up its work in response to the growing demand for climate finance across the continent. More recently, in November 2016, the government of Flanders, Belgium, agreed to join the ACCF with a contribution of EUR 2 million. It

⁵ The Bank is in the process of negotiating the legal agreement with the GCF that will allow it to receive funding as an accredited entity

is envisioned that the ACCF will make an increasingly important contribution to achieving the ambitious objective that the Bank has set to triple its climate financing to reach USD 5 billion annually by 2020, both through the funding that it provides directly to beneficiaries, as well as through the preparatory support that will enable African countries to scale-up their own access to climate finance. It will further support the Bank in integrating green growth and climate resilience into the realisation of the High 5s.

2. Objectives

2.1 The goal of the ACCF is both to support RMCs in their transition to climate resilient and low carbon development, including through the implementation of Nationally Determined Contributions (NDCs), 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 finance⁶, 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) helping RMCs to systematically address climate change in their development strategies and policies in order 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) providing capacity building to RMCs and national and regional stakeholders for climate change, climate finance and green growth; (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 climate change and green growth priorities, including the CCAP.

2.2 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 the Bank's core operational priorities, specifically scaling up energy generation and provision, ensuring food security, regional integration, industrialisation, and improving quality of life across Africa. The ACCF intends to become a key financing instrument for implementing the Bank's CCAP, the 2013-2022 strategy and the Bank's sector and country strategies, and to be instrumental in enabling the Bank to realise its climate finance ambition. The ACCF will conform to the principles of aid effectiveness set out in the Paris Declaration on Aid Effectiveness (2005) and the Accra Agenda for Action (2008), which the Bank has officially endorsed.

3. Eligible Recipients

3.1 ACCF grant recipients may include: African governments, non-governmental organisations (NGOs), funds, research institutions, and regional institutions (jointly referred to as external recipients), as well as 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

⁶ Including support for institutional strengthening at the level of strategic planning and, in particular, institutional strengthening for direct access to climate finance.

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 climate change, 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; vi) demonstrate credibility and the knowledge of local values, networks and structures required to carry out the indicated activities; vii) be mission-driven institutions committed to advancing the continent’s or national development priorities; and viii) not derive benefits purely attributable to the use of the grant proceeds above the administrative and prime costs associated with the execution of the proposal.

3.3 Grant requests may be submitted by consortia, in which two or more institutions partner on a proposal to draw on the respective strengths of each institution and promote collaboration towards a common goal. The roles and responsibilities of each consortium member must be clearly defined, including identification of the lead member, through a memorandum of understanding or equivalent agreement. All members of the consortium must be eligible beneficiaries.

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 and programmes in the context of the NDCs; capacity building and institutional strengthening; the preparation of climate resilient and low carbon strategies and policies; and analytical work related to climate finance and green growth, 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, outreach, advocacy, translation services, the preparation of studies, strategies and analytical pieces, office equipment and transportation fees, and other administrative costs and fees in accordance with the Bank’s applicable policies and procedures.

5. Governance Structure

5.1 The governance structure of the ACCF includes: a secretariat hosted within the Climate Change and Green Growth Department (PECG), a technical committee (TC), an oversight committee (OC) and, when necessary, the Boards of Directors of the Bank and the African Development Fund (the “Fund”).

5.2 The ACCF secretariat will be coordinated by a climate change specialist in the Climate Finance Division (PECG1) and supervised by the PECG1 manager, and supported by consultants who will be contracted according to the ACCF's needs. The secretariat will be responsible for the smooth and effective functioning of the ACCF, including: issuing annual calls for proposals; compiling and pre-screening project proposals vis-à-vis the criteria outlined in each call for proposals; coordinating the technical and fiduciary appraisal of proposals in collaboration with other relevant Bank departments; overseeing the implementation of approved projects in collaboration with other relevant Bank departments; monitoring the performance of the projects in the portfolio and ensuring that project completion reports are prepared for each activity financed by the Fund; preparing the ACCF's annual work programme and budget; producing annual reports and other relevant communications on the progress of the ACCF; coordination with external institutions and stakeholders; and organising workshops and events to raise awareness and advance the objectives of the ACCF. 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. 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.

5.3 A technical committee (TC) will be composed of representatives of all relevant departments, including, but not limited to, PECG, renewable energy (PERN), agriculture and agro-industries (AHAI), water and sanitation (AHWS), human and social development (AHHD), resource mobilization and partnerships (FIRM), general counsel and legal services (PGCL), financial control (FIFC), strategy and operational policy (SNSP), and fiduciary and financial management, inspection and procurement policy (SNFI). The TC will be chaired by the Climate Change Coordination Committee (CCCC) chair. The composition and chairmanship of the TC will be updated in line with revisions to the Bank's organisational structure once such revisions become operational. The role of the TC is to review the proposals submitted and approve proposals in line with the approval thresholds prescribed in paragraph 7.1. 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 will be executing a proposal will abstain from approving the proposal.

5.4 The Oversight Committee (OC) will include representatives from the donors and the Bank and will be chaired by the Bank. The OC will: (i) provide general policy guidance, (ii) review and approve the operational guidelines of the ACCF, (iii) review and approve annual reports as well as the annual work programme and budget for the coming year, (iv) approve ACCF proposals in line with the thresholds set out in paragraph 7.1 (v) review and approve the ACCF's results management framework; and (vi) initiate discussions for a general replenishment of the resources of the ACCF. The OC will meet at least once a year. The decision making methods and processes of the OC will be determined by the committee members.

6. Administration and Management

6.1 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 and the Fund. The ACCF multi-donor trust fund instrument shall be effective for a period of five (5) years and may be terminated, extended, or shortened by common agreement between two or more donors and the Bank.

6.2 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.

6.3 The 5% administrative fee will contribute to the indirect costs the Bank is expected to incur in administering the ACCF. In addition, some of the direct costs incurred by the secretariat in administering the ACCF will be met from the contributions to the Fund. These expenses will be reflected in the annual work programme and budget.

6.4 The ACCF will endeavour to ensure efficiency and timeliness throughout the project cycle, including the timely disbursement of funds. To this end, the operational guidelines will set out procedures and processes for programming and operations that are simplified and streamlined to the extent possible, without compromising the quality and fiduciary integrity of ACCF operations.

7. Approval Thresholds

7.1 To reduce transaction costs, the minimum amount for a proposal to be submitted to the ACCF will be USD 250,000. This threshold may be revised by decision of the OC. The TC will approve requests for grants of up to the equivalent of USD 500,000. Requests for funding of above USD 500,000 and up to USD 1,000,000, shall be cleared by the TC and approved by the OC. An activity exceeding USD 1,000,000 will be submitted for clearance by the OC, followed by approval by the Board of Directors.

8. Procurement and Disbursement Modalities

Procurement and disbursement for projects funded by the ACCF

8.1 The selection and engagement of consultants and the procurement of goods in ACCF-funded projects executed by external recipients will be in accordance with the Bank's procurement policy for Bank Group funded operations. The selection and engagement of consultants and the procurement of goods in Bank-executed ACCF-funded projects will be in accordance with the Bank's procedures for procurement funded by the Bank's administrative and capital expenditure budget.

8.2 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.

8.3 Ineligible expenditures under the ACCF include: the purchase of vehicles, land, land rights and real estate; and salaries and travel of Bank staff. The eligibility of salaries of employees of project beneficiaries will be subject to the relevant Bank policy provisions on eligible expenditure, as may be amended from time to time.

Procurement and disbursement for the administrative budget of the ACCF secretariat

8.4 Procurement of goods and services related to the administrative functioning of the ACCF secretariat will be in accordance with the Bank's procedures for procurement funded by the Bank's administrative and capital expenditure budget.

9. Reporting, Monitoring and Evaluation

Reporting, Monitoring and Evaluation at the Fund Level

9.1 The Bank, through the Financial Control department, will produce annual financial statements of ACCF funds received and disbursed as of December 31st of each year.

9.2 The Bank, through the ACCF secretariat, will produce annual progress reports on the execution of the projects, programmes and activities financed under the ACCF as of December 31st of each year. The annual financial statements and the annual progress report shall be submitted to the OC within six (6) months after the end of the reporting period.

9.3 The Bank will submit to the OC, not later than one year after expiration of the ACCF multi-donor arrangement or 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.

9.4 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

9.5 Grants that amount to more than USD 500,000 at project completion and that are executed by external recipients will be systematically audited. The audit fees will be charged to the resources of the grant. The Bank, through the ACCF secretariat, will communicate to the OC the results of the financial audit conducted for grants of more than USD 500,000.

10. Conclusion and Recommendations

10.1 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 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.

10.2 Therefore, the Boards of Directors are invited to:

- (i) Approve the conversion of the ACCF into a multi-donor trust fund; and
- (ii) Authorize the President to sign the proposed Multi-Donor Arrangement for the Africa Climate Change Fund with the Governments of Germany, Italy and Flanders.

11. Annex:

- Multi-Donor Arrangement for the Africa Climate Change Fund.

ANNEX 2

[Donor's Letterhead]

Date

Vice-President, [...]
African Development Bank
01 B.P. 1387
Abidjan 01
Côte d'Ivoire

Dear :

LETTER OF PARTICIPATION IN THE AFRICA CLIMATE CHANGE FUND

Reference is made to the multi-donor arrangement for the Africa Climate Change Fund established by the African Development Bank (the "Bank") and the African Development Fund (the "Fund") on [.....] (the "Arrangement"), a copy of which is attached hereto.

In accordance with the provisions of Article II, Paragraphs 1 and 2 of the Arrangement, [*Name of Government or entity*] (the "Donor") hereby accedes to the Arrangement and agrees to become a donor to the Africa Climate Change Fund. Effective from the date of this Letter, the Donor accepts to be bound by the provisions of the Arrangement as if it were an original signatory thereto.

Attached hereto is a Contribution Payment Schedule specifying the amounts of contribution that the Donor hereby agrees to make pursuant to the Arrangement, and the expected dates of payment of such amounts.

It is hereby confirmed that the execution of this Letter of Participation by the undersigned on behalf of the Donor is lawful and has been duly authorized, and that no further authorizations, consents, approvals, exemptions or other actions are required to give effect to [.....]'s participation in the Africa Climate Change Fund.

Yours sincerely,

For The Donor:

Name: _____

Designation: _____

Signature: _____

Acknowledged and accepted for and on behalf of the Bank and the Fund

Name: _____

Designation: Vice-President

Signature: _____

Date: _____

[Donor's Letterhead]

CONTRIBUTION SCHEDULE: AFRICA CLIMATE CHANGE FUND

[Name of Donor] hereby agrees to pay its Contribution to the above named Multi-Donor Trust Fund as follows:

<u>Date of Payment</u>	<u>Currency of Payment</u>	<u>Amount of Payment</u>
<u>Total</u>		