
GRANT NUMBER E182-EA

Financing Agreement

**(Food Systems Resilience Program for Eastern and Southern Africa
Phase 3 under the Multiphase Programmatic Approach)**

between

INTERNATIONAL DEVELOPMENT ASSOCIATION

and

AFRICAN UNION

GRANT NUMBER E182-EA

FINANCING AGREEMENT

AGREEMENT dated as of the Signature Date between INTERNATIONAL DEVELOPMENT ASSOCIATION (“Association”) and AFRICAN UNION (“Recipient”). 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, in an amount equivalent to nine million seven hundred thousand Special Drawing Rights (SDR 9,700,000) (“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 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 Financing 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 objectives of the Project and the MPA Program. To this end, the Recipient shall carry out the Project, through the Department of Agriculture, Rural Development, Blue Economy, and Sustainable Environment of the African Union Commission (AUC-DARBE) and cause the African Union Development Agency-New Partnership for Africa’s Development (AUDA-NEPAD) to 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- (a) The Recipient's Founding Documents have, in the opinion of the Association, been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of the Recipient to perform any of its obligations under this Agreement.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 AUDA-NEPAD'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 AUDA-NEPAD to perform any of its obligations under this Agreement.

ARTICLE V — EFFECTIVENESS; TERMINATION

- 5.01. The Additional Conditions of Effectiveness consist of the following:
- (a) The Recipient has established the PIU in accordance with the provisions of Section I.A of Schedule 2 of this Agreement.
 - (b) The Recipient has established the grievance mechanism in accordance with the provisions of Section I.D.5 of Schedule 2 of this Agreement.
- 5.02. The Effectiveness Deadline is the date one hundred and twenty (120) 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 (20) years after the Signature Date.

ARTICLE VI — REPRESENTATIVE; ADDRESSES

- 6.01. The Recipient's Representative is the Chairperson of the African Union Commission.
- 6.02. For purposes of Section 11.01 of the General Conditions:
- (a) the Recipient's address is:

African Union Headquarters
Roosevelt Street W2 1K19
P.O. Box 3243
Addis Ababa
Ethiopia; and

(b) the Recipient's Electronic Address is:

Facsimile: +251 11 551 7844

6.03. 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: | Facsimile: |
| 248423 (MCI) | 1-202-477-6391 |

AGREED as of the Signature Date.

INTERNATIONAL DEVELOPMENT ASSOCIATION

By

Boutheina Guerhazi

Authorized Representative

Boutheina Guerhazi

Name: _____

Title: _____
Director, Regional Integration

Date: _____
02-Aug-2023

AFRICAN UNION

By

Josefa Sacko

Authorized Representative

Amb. Josefa Sacko

Name: _____

Title: _____
Commissioner, ARBE

Date: _____
04-Aug-2023

SCHEDULE 1

Project Description

The objective of the Project is to increase the resilience of food systems and preparedness for food security in targeted parts of Eastern and Southern Africa.

The Project constitutes Phase 3 of the MPA Program, and consists of the following parts:

Part 1: (Re-)Building Resilient Agricultural Production Capacity

1.1. Climate-Smart Technologies, Production Practices, and Policy Options

- (a) Carrying out of a comprehensive review of factors restricting agricultural producer's access to climate-smart technologies, access to high-value crops by women, and their transition to more sustainable and resilient production systems, including challenges relating to seed, fertilizer, and equipment supply, optimal soil and water management, and land tenure, with emphasis on the driving factors for the gender gap in agricultural productivity.
- (b) Promotion continent-wide of climate-smart agriculture (CSA) in national and regional investment plans.
- (c) Development of continental framework papers focused on key themes (such as soil fertility, closing the agricultural productivity gender gap and CSA) that inform policymakers and technical agencies drafting national agricultural investment plans (NAIPs), regional agricultural investment plans (RAIPs), and other key policy documents.
- (d) Establishment of platforms that support debate and knowledge sharing about common regional challenges and solutions.
- (e) Provision of guidance on technical assistance required for governments to develop bankable investment plans.
- (f) Monitoring of progress toward reform in selected countries, including the documentation and sharing of lessons learned.
- (g) Support to research and innovation processes that focus on climate-smart technologies and extension services that build climate resilience and reduce emissions.

1.2. Post-Harvest Food Loss Mitigation Technologies (including Storage and Cold Storage)

- (a) Carrying out analysis of existing knowledge to explore and promote post-harvest technologies, climate-informed business models, policies, and enabling regulations.
- (b) Development of national and regional action plans on energy-efficient cold storage and other approaches to post-harvest loss mitigation.
- (c) Communications and knowledge exchange on climate-resilient post-harvest technologies, including bankable post-harvest technology development projects or programs.
- (d) Carrying out of activities that increase energy efficiency of equipment for agricultural processing and storage.

1.3. Agricultural Research and Development and Extension and Advisory Services (Coordination and Strengthening)

Support to coordinating research efforts around CSA and minimizing the impact of shock-related pest and disease outbreaks, involving the Forum for Agricultural Research in Africa, sub-regional organizations, the African Forum for Agricultural Advisory Services, and agricultural universities under the leadership of the Regional Universities Forum for Capacity Building in Agriculture, including development of knowledge-sharing platforms, organization of regional conferences, identification and promotion of digital agriculture solutions including digital advisory service solutions (public and private), ensuring the integration of gender-specific needs in terms of time and labor, and upskilling of staff responsible for making research accessible to a broad audience.

Part 2. Getting to Market

2.1. Trade Policy and Rule Harmonization (including Food and Trade Standards, Food Safety Management, and Compliance)

Support to the delivery of national commitments made under the Framework for Boosting Intra-African Trade in Agricultural Commodities and Services, facilitating, among other things, the harmonization of food and food safety standards, trade rules and policy, and compliance procedures, including the carrying out of an analysis of the effects of increased regional trade in key agricultural commodities on food security and resilience, the creation of virtual and physical platforms where producers, processors, and traders can develop a common understanding of trade and food standards, as well as support to partnerships and action plans aimed at facilitating trade.

2.2. Trade Negotiation Capacity of Member States

Carrying out of a training needs assessment for relevant national and regional institutions, the development and delivery of appropriate training programs (in-person and virtual) and carrying out of an annual performance review of the training's design and impacts.

Part 3. Promoting a Greater Focus on Food Systems Resilience in National and Regional Policymaking

3.1 Evidence-Based Planning

Provision of technical support to countries undertaking reviews of existing NAIPs or developing new NAIPs, including: (a) support to integrating critical new themes relating to CSA and resilience into the bi-annual Comprehensive Africa Agriculture Development Program (CAADP) reviews; (b) support to dissemination and streamlining of successful examples and experience on both adaptation and mitigation to climate change; (c) support to countries on tracking, measuring, and reporting their progress during the review or update of NAIPs; (d) support to regional cross-sectoral climate-informed policies that lead to regional climate change mitigation and adaptation actions, or technical support for such actions; and (e) building of capacity of farmer organizations, public officers, and institution on climate-smart value chain development.

3.2 Strategy Development

- (a) Support to the development of the successor agreement to the CAADP Malabo Declaration, including (i) generation of supporting evidence to inform the new continental agreement (including by synthesizing framework papers generated under other components), (ii) building of consensus among AU member states and stakeholders on new targets; (iii) update of the monitoring framework, and (iv) convening of meetings and events needed to launch the new programs.
- (b) Updating of AUC's business plan, ensuring that the thematic areas of climate resilience and CSA are prioritized.

3.3 Strengthening Foresight Systems

- (a) Identification and promotion of systems that provide improved forecasting of shocks and policy reforms on food systems.
- (b) Exploring of options for decreasing the time period between the identification of a shock and the implementation of the appropriate response.

- (c) Support to: (i) institutional arrangements for increasing the effectiveness of early warning systems at the national and regional levels, and (ii) working with agricultural research partnerships, promoting research in low-carbon technologies instrumental to achieving full decarbonization while addressing climate vulnerabilities through promoting knowledge and experience sharing on climate adaptation techniques, identifying common frameworks for research and innovation on CSA, including ones involving One CGIAR and African research institutions to increase alignment on emergency pest and disease response measures.

Part 4. Project Management

Support to Project management, including Project coordination, knowledge management, communications, staff costs (including the hiring of long-term staff to lead the implementation of Project activities and build the capacity of AUC-DARBE, and recruitment of short-term technical assistance), and compliance with fiduciary responsibilities.

SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements

1. The Recipient, through AUC-DARBE, shall establish and thereafter maintain, at all times during the implementation of the Project, a Project Implementation Unit (PIU), to be responsible for day-to-day implementation of the Project, with mandate, composition and resources acceptable to the Association. The PIU shall consist of the following key staff: a project coordinator, a climate smart agriculture specialist, a trade specialist, a policy specialist, a knowledge management and communication officer, a monitoring and evaluation officer, a finance officer, a project assistant, and a procurement officer. The PIU shall be augmented by short-term technical assistance as may be determined from time to time.
2. The Recipient shall establish working groups, comprised of representatives of countries participating in the MPA Program, to share knowledge and information on relevant themes.

B. Project Implementation Manual

1. The Recipient, through AUC-DARBE, shall, not later than three (3) months after the Effective Date, prepare and adopt, in accordance with terms of reference acceptable to the Association, a Project Implementation Manual (PIM) setting out, *inter alia*, partnership arrangements between AUC and AUDA-NEPAD, AUDA-NEPAD project implementation staffing, and guiding principles for gender inclusion in AUC-DARBE and AUDA-NEPAD events and processes.
2. The Recipient, through AUC-DARBE, shall carry out the Project in accordance with this Agreement and the PIM. Except as the Association shall otherwise agree, the Recipient shall not assign, amend, abrogate, or waive the provisions of the PIM without prior approval of the Association. In the event of any conflict between the provisions of the PIM and this Agreement, the provisions of this Agreement shall prevail.

C. Annual Work Plans and Budget

1. The Recipient shall, and shall cause the AUDA-NEPAD to:
 - (a) prepare under terms of reference acceptable to the Association, and furnish to the Association, not later than October 30 of each Financial Year during the period of Project implementation (or for the first calendar year of Project implementation, no later than one (1) month after the Effective

Date), for the Association's review and agreement, an annual work plan of activities proposed for inclusion in the Project during the following Financial Year, together with a budget and financing plan for such activities and a timetable for their implementation ("Annual Work Plan and Budget"); and

- (b) thereafter, carry out the Project with due diligence during such following year in accordance with the Annual Work Plan and Budget as shall have been agreed with the Association, as such plan may be amended from time to time with the prior written agreement of the Association.
2. The Recipient shall, and shall cause the AUDA-NEPAD to, ensure that only activities included in the Annual Work Plan and Budget shall be eligible for inclusion in the Project.

D. Environmental and Social Standards

1. The Recipient shall, and shall cause the AUDA-NEPAD to, ensure that the Project is carried out in accordance with the Environmental and Social Standards, in a manner acceptable to the Association.
2. Without limitation upon paragraph 1 above, the Recipient shall, and shall cause the AUDA-NEPAD to, ensure that the Project is implemented in accordance with the Environmental and Social Commitment Plan ("ESCP"), in a manner acceptable to the Association. To this end, the Recipient shall, and shall cause the AUDA-NEPAD to, ensure that:
- (a) the measures and actions specified in the ESCP are implemented with due diligence and efficiency, as provided in the ESCP;
 - (b) sufficient funds are available to cover the costs of implementing the ESCP;
 - (c) policies and procedures are maintained, and qualified and experienced staff in adequate numbers are retained to implement the ESCP, as provided in the ESCP; and
 - (d) the ESCP, or any provision thereof, is not amended, repealed, suspended or waived, except as the Association shall otherwise agree in writing, as specified in the ESCP, and ensure that the revised ESCP is disclosed promptly thereafter.
3. In case of any inconsistencies between the ESCP and the provisions of this Agreement, the provisions of this Agreement shall prevail.
4. The Recipient shall, and shall cause the AUDA-NEPAD to, ensure that:

- (a) all measures necessary are taken to collect, compile, and furnish to the Association through regular reports, with the frequency specified in the ESCP, and promptly in a separate report or reports, if so requested by the Association, information on the status of compliance with the ESCP and the environmental and social instruments referred to therein, all such reports in form and substance acceptable to the Association, setting out, *inter alia*: (i) the status of implementation of the ESCP; (ii) conditions, if any, which interfere or threaten to interfere with the implementation of the ESCP; and (iii) corrective and preventive measures taken or required to be taken to address such conditions; and
 - (b) the Association is promptly notified of any incident or accident related to or having an impact on the Project which has, or is likely to have, a significant adverse effect on the environment, the affected communities, the public or workers, in accordance with the ESCP, the environmental and social instruments referenced therein and the Environmental and Social Standards.
5. The Recipient shall, and shall cause the AUDA-NEPAD to, establish, publicize, maintain and operate an accessible grievance mechanism, to receive and facilitate resolution of concerns and grievances of Project-affected people, and take all measures necessary and appropriate to resolve, or facilitate the resolution of, such concerns and grievances, in a manner acceptable to the Association.

Section II. Project Monitoring, Reporting and Evaluation

The Recipient shall furnish to the Association each Project Report not later than forty-five (45) days after the end of each calendar semester, covering the calendar semester.

Section III. Withdrawal of the Proceeds of the Financing

A. General

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 Financing to: (a) finance Eligible Expenditures; in the amount allocated and, if applicable, up to the percentage set forth against each Category of the following table:

| Category | Amount of the Financing Allocated (expressed in SDR) | Percentage of Expenditures to be Financed (inclusive of Taxes) |
|--|---|---|
| (1) Goods, non-consulting services, consulting services, Operating Costs, and Training for the Project | 9,700,000 | 100% |
| TOTAL AMOUNT | 9,700,000 | |

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 Signature Date.
2. The Closing Date is August 31, 2029.

APPENDIX

Section I. Definitions

1. “African Union” or “AU” means the union established by the Constitutive Act of the African Union adopted on July 11, 2000.
2. “African Union Commission” means the secretariat of the African Union.
3. “Annual Work Plan and Budget” or “AWP&B” means the work plan and budget prepared annually by the Recipient in accordance with the Provisions of Section I.C. of Schedule 2 to this Agreement.
4. “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.
5. “Category” means a category set forth in the table in Section III.A of Schedule 2 to this Agreement.
6. “Centre for Coordination of Agricultural Research and Development for Southern Africa” means the organization established by the Charter Establishing the Centre for Coordination of Agricultural Research and Development for Southern Africa.
7. “DARBE” means the Department of Agriculture, Rural Development, Blue Economy and Sustainable Environment which is one of the portfolio departments of the African Union Commission.
8. “Environmental and Social Commitment Plan” or “ESCP” means the environmental and social commitment plan for the Project, dated March 31, 2023, as the same may be amended from time to time in accordance with the provisions thereof, which sets out the material measures and actions that the Recipient shall carry out or cause to be carried out to address the potential environmental and social risks and impacts of the Project, including the timeframes of the actions and measures, institutional, staffing, training, monitoring and reporting arrangements, and any environmental and social instruments to be prepared thereunder.
9. “Environmental and Social Standards” or “ESSs” means, collectively:
(i) “Environmental and Social Standard 1: Assessment and Management of Environmental and Social Risks and Impacts”; (ii) “Environmental and Social Standard 2: Labor and Working Conditions”; (iii) “Environmental and Social Standard 3: Resource Efficiency and Pollution Prevention and Management”; (iv) “Environmental and Social Standard 4: Community Health and Safety”; (v) “Environmental and Social Standard 5: Land Acquisition, Restrictions on Land

Use and Involuntary Resettlement”; (vi) “Environmental and Social Standard 6: Biodiversity Conservation and Sustainable Management of Living Natural Resources”; (vii) “Environmental and Social Standard 7: Indigenous Peoples/Sub-Saharan African Historically Underserved Traditional Local Communities”; (viii) “Environmental and Social Standard 8: Cultural Heritage”; (ix) “Environmental and Social Standard 9: Financial Intermediaries”; (x) “Environmental and Social Standard 10: Stakeholder Engagement and Information Disclosure”; effective on October 1, 2018, as published by the Association.

10. “Financial Year” means the twelve (12) month period corresponding to any of the Recipient’s financial years, which period commences on January 1 and ends on December 31 in each calendar year.
11. “Founding 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 such documents may be amended from time to time.
12. “General Conditions” means the “International Development Association General Conditions for IDA Financing, Investment Project Financing”, dated December 14, 2018 (revised on August 1, 2020, April 1, 2021, and January 1, 2022), with the modifications set forth in Section II of this Appendix.
13. “MPA Program” means the multiphase programmatic approach program designed to increase the resilience of food systems and preparedness for food insecurity in the participating countries.
14. “One CGIAR” means the reformulated global partnership of legal entities of the CGIAR System pursuant to the CGIAR Integration Framework Agreement dated February 22, 2023.
15. “Operating Costs” means the reasonable incremental operating expenses incurred by the Recipient on account of Project implementation, management and monitoring, including operation and maintenance costs of office, vehicles and office equipment; water and electricity utilities, telephone, office supplies, bank charges, public awareness-related media expenditures, travel and supervision costs, *per diem*, additional staff costs, but excluding the salaries of officials and public servants of the Recipient.
16. “Procurement Regulations” means, for purposes of paragraph 85 of the Appendix to the General Conditions, the “World Bank Procurement Regulations for IPF Borrowers”, dated November 2020.

17. “Signature Date” means the later of the two dates on which the Recipient and the Association signed this Agreement and such definition applies to all references to “the date of the Financing Agreement” in the General Conditions.
18. “Training” means the reasonable cost of training under the Project, including costs associated with seminars, workshops, conference and study tours, travel and subsistence costs for training participants, services of trainers, rental of training facilities, preparation and reproduction of training materials and other activities directly related to course preparation and implementation.

Section II. Modifications to the General Conditions

The General Conditions are hereby modified as follows:

1. Section 2.06 (Financing Taxes) is modified to read as follows:

“Section 2.06 *Financing Taxes*

The use of any proceeds of the Financing to pay for Taxes levied by, or in the territory of, the Member Country on 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 Financing.”

2. Paragraphs (b) and (c) of Section 3.18 (Manner of Payment) 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. Paragraph (a) of Section 5.11 (Visits) is modified to read as follows:

“Section 5.11 *Visits*

“(a) 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 Financing or the Project.”

4. Section 6.01 (Financial and Economic Data) is deleted in its entirety and the remaining section in Article VI is renumbered accordingly.

5. Section 8.02 (Suspension by the Association) 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 Financing or the Project.”

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

(a) Paragraph 77 (Member Country) is modified to read as follows:

“77. “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 92 (Recipient) is modified to read as follows:

“92. “Recipient” means the party to the Financing Agreement to which the Financing is extended.”