AFRICAN DEVELOPMENT BANK GROUP

GENERAL COOPERATION AGREEMENT
KOREA-AFRICA ECONOMIC COOPERATION TRUST FUND

ORRU DEPARTMENT
April 2013
1. INTRODUCTION

1.1 The Republic of Korea\(^1\) is committed to increasing its engagement across Africa. According to the first Organisation for Economic Cooperation and Development (OECD) Development Assistance Committee (DAC) Peer Review of Overseas Development Aid (ODA) in December 2012,\(^2\) South Korea is now the 17\(^{th}\) largest OECD-DAC Donor to developing countries and is committed to meeting its target of 0.25\% of its Gross National Income (GNI) by 2015; in 2012, Korea’s ODA increased by 17.6\%.

1.2 South Korea’s profile within the international community is rising; in 2010, Korea hosted the G20 summit and the Fourth High Level Forum on Aid Effectiveness (HLF-4) in 2011. These events served as an opportunity for the international community “to forge a new and inclusive global development partnership, which would embrace new actors and focus on more results-oriented and partner country-driven development cooperation.”\(^3\) In October 2012, Korea hosted the Korea Africa Economic (KOAFEC) Ministerial Conference in which participants identified “inclusive growth” as a prerequisite for Africa’s economic transformation, emanating in a joint declaration in which key priority areas were identified.

1.3 South Korea strongly believes in knowledge sharing of its own development experiences and its priority areas are outlined in the current Technical Cooperation Agreement: Infrastructure, Information and Communications Technology (ICT), Human Resources Development, Agriculture and Green Growth. These areas are aligned to the Bank’s priorities including Private Sector Development, Skills and Technology, Infrastructure and Regional Integration.

1.4 A General Cooperation Agreement is being proposed as an enabling instrument to enhance Korea’s cooperation with the Bank. Pursuant to Article 29 (2) (c) of the Bank Agreement the Boards of Directors are requested to endorse the proposal for transmission to the Boards of Governors for their approval.

2. PARTNERSHIP BETWEEN THE BANK AND SOUTH KOREA

2.1 The partnership between the African Development Bank Group and the Republic of Korea began in 1980 when Korea joined the African Development Fund (ADF) and the African Development Bank (AfDB) in 1982 respectively. As an active participant in the Bank Group since

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\(^1\) Korea is referred to interchangeably in the document as: Republic of Korea, South Korea, Korea, Government of Korea
\(^3\) [http://www.mofat.go.kr/ENG/policy/oda](http://www.mofat.go.kr/ENG/policy/oda)
1982, South Korea has supported the region’s economic development for over thirty years. During the financial crisis in 2009, South Korea temporarily doubled its callable capital to enable the Bank to quickly respond to the increasing financial demands of its clients. In 2010, it made the largest percentage increase in subscription—50% or UA 53.9 million—among Bank members. Korea’s pledge to ADF-XII amounts to UA53.86 million (KRW 94.77 billion) representing an increase of 66% from its ADF-XI contribution. Its burden share was increased by 50% to 1.317% in ADF-XII.

2.2 In addition to supporting ADB and ADF, the Bank and South Korea have two other Agreements: a co-financing loan agreement governed by a Memorandum of Understanding (MOU) and the Technical Cooperation Agreement on Korea Africa Economic Cooperation (KOAFEC-TCA), signed in 2007 as a US$ 5 million untied grant mechanism. The Government by successive Supplementary Agreements has agreed to make available to the Bank additional grant funds in the amount of US$ 41,886,160 including US$ 15 million approved in October 2012.

3. GENERAL COOPERATION AGREEMENT BETWEEN THE BANK AND SOUTH KOREA

3.1 The objective of the General Cooperation Agreement (GCA) is to provide the legal basis to broaden and enhance the scope of cooperation between South Korea and the Bank, within the framework of Korea-Africa Economic Cooperation. Korea has selected the Bank for enhanced cooperation due to its unique and continent-wide development mandate to address the challenges of Africa’s economic transformation. Under the General Cooperation Agreement which will be for a five year term, South Korea will not only make funds available for technical cooperation activities but also support multi-donor and special funds as well as projects and programmes managed and financed by the Bank in its Regional Member Countries (RMCs).

3.2 In order to address certain internal legislative and procedural constraints, Korea has requested a single overarching framework under which all its resources are provided to the Bank. A Technical Cooperation Agreement such as the existing one only covers technical cooperation activities. The General Cooperation Agreement therefore provides the broader framework required. The General Cooperation Agreement will allow the Government the flexibility it requires in channelling its resources to the Bank for the benefit of RMCs. For instance, the General Cooperation Agreement will facilitate Korea’s coordination with the Bank and other donors in supporting multi-donor trust funds and special funds of the Bank as new initiatives are developed.

3.3 The Government of Korea will make grants available to the Bank under three components:

(i) financing technical cooperation activities;
(ii) financing projects and programmes in RMCs, including the procurement of goods, works and related services; and
(iii) contributions to multi-donor funds and special funds managed by the Bank.
4. VALUE ADDED FOR THE BANK

4.1 In supporting the three components above, it is anticipated that the General Cooperation Agreement will attract additional financial contributions from South Korea. Korea has requested that the US$ 15 million committed in the Supplementary Technical Cooperation Agreement signed on 16 October 2012 will, together with unspent resources already provided under the Technical Cooperation Agreement, constitute Korea’s initial contribution under the General Cooperation Agreement. The Bank’s minimum of 5% administrative fees will be charged on all resources provided under the General Cooperation Agreement.

5. GOVERNANCE STRUCTURE AND IMPLEMENTATION ARRANGEMENTS

5.1 The General Cooperation Agreement will be the overarching framework for Korea’s partnership with the Bank. Korea’s Ministry of Strategy and Finance (MOSF) and the African Development Bank’s Partnerships and Cooperation Unit (ORRU) are the main representatives of the parties to the Agreement.

5.2 Specific governance arrangements will apply in relation to the provisions applicable to the three components: technical assistance activities, co-financing of project and programmes and multi-donor and special funds. Resources provided under the General Cooperation Agreement are untied and all three components will be implemented in line with existing Bank administrative structures, rules and regulations. Under the General Cooperation Agreement more detailed arrangements will be formulated as necessary, by such subsidiary legal instruments as exchange of letters, letters of contribution or other implementation arrangements.

- **Technical Cooperation activities:** The terms of the existing Technical Cooperation Agreement will continue to be the operational framework for technical cooperation activities.
- **Co-financing of projects and programmes:** An operational framework shall be established for co-financing of projects and programmes under the General Cooperation Agreement. The specific governance arrangements will be spelled out in the operational framework.
- **Multi-donor funds and Special Funds:** The Bank and South Korea will agree on the multi-donor fund(s) and special fund(s) to which South Korea will make contributions. Korea will then accede to the particular fund by signing the applicable legal instruments. The resources contributed will be co-mingled with the contributions of other donors to the fund and will be managed in accordance with the specific governance structures pertaining to the fund, such as the Technical Committee, Oversight Committee or the Governing Council.
6. MONITORING AND EVALUATION

6.1 Both Parties will jointly review the overall progress of cooperation on a periodic basis. Monitoring and Evaluation for contributions from South Korea to existing Technical Cooperation activities, Projects and Programmes, Multi-donor and Special Funds will be undertaken in accordance with the specific existing Monitoring and Evaluation frameworks as articulated in their governing legal instruments and project implementation arrangements. Provision has been made in the General Cooperation Agreement for the submission of periodic narrative and financial reports, including audit and evaluation arrangements, as will be agreed by the parties.

7. CONCLUSION

7.1 The General Cooperation Agreement will be an important instrument, enabling Korea to provide the Bank with additional resources to respond to the diverse needs of Regional Member countries. The governance arrangements through which the components of the GCA will be implemented will ensure flexible and transparent use of trust fund resources.

7.2 Therefore, the Boards of Directors are invited to:

   i) Endorse the proposed General Cooperation Agreement;
   ii) Authorize the submission of the General Cooperation Agreement to the Boards of Governors for their approval.
GENERAL COOPERATION AGREEMENT
(KOREA-AFRICA ECONOMIC COOPERATION TRUST FUND)

BETWEEN

THE GOVERNMENT OF THE REPUBLIC OF KOREA

AND

THE AFRICAN DEVELOPMENT BANK

AND

THE AFRICAN DEVELOPMENT FUND
GENERAL COOPERATION AGREEMENT
(KOREA-AFRICA ECONOMIC COOPERATION TRUST FUND)

BETWEEN

THE GOVERNMENT OF THE REPUBLIC OF KOREA

AND

THE AFRICAN DEVELOPMENT BANK

AND

THE AFRICAN DEVELOPMENT FUND

GENERAL COOPERATION AGREEMENT (hereinafter called the “Agreement”) dated_____________________ 2013, between the Government of the Republic of Korea (hereinafter called the "Government"), represented by its Ministry of Strategy and Finance, of the one part, and the African Development Bank (hereinafter called "ADB") and the African Development Fund (hereinafter called "ADF", and the ADB and ADF shall hereinafter be collectively called the "Bank" unless the context otherwise requires), of the other part.

WHEREAS:

1. By a Technical Cooperation Agreement on Korea-Africa Economic Cooperation (hereinafter called the “Technical Cooperation Agreement”), concluded on 7 December 2007 between the Government and the Bank (hereinafter called the “parties”), the Government agreed to make available to the Bank grant funds in the amount of Five Million United States Dollars (US$ 5,000,000) with the name of “Korea-Africa Economic Cooperation Trust Fund (“KOAFEC Trust Fund”) on the terms and conditions set forth in that Agreement;

2. By successive Supplementary Agreements between the Government and the Bank, the Government has made available to the Bank additional grant funds in the amount of Forty Seven Billion Six Hundred and Ninety Million Korean Won (KRW 47,690,000,000), equivalent to Forty One Million Eight Hundred and Eighty Six Thousand One Hundred and Sixty United Stated Dollars (USD 41,886,160);

3. The parties to this Agreement desire to broaden and enhance the scope of their cooperation enabling the Government, within the framework of Korea-Africa Economic Cooperation while continuing to make funds available to the Bank for technical cooperation activities, to also
contribute to multi-donor funds and special funds managed by the Bank and to projects and programmes financed by the Bank in its Regional Member Countries (“RMCs”);

THE PARTIES HERETO HEREBY AGREE AS FOLLOWS:

ARTICLE I
PURPOSE OF THE AGREEMENT

The Government wishes to make available to the Bank grants under three components:
(i) financing technical cooperation activities;
(ii) financing projects and programmes in RMCs, including the procurement of goods, works, and related services; and
(iii) contributions to multi-donor funds and special funds managed by the Bank for the benefit of the RMCs.

ARTICLE II
SELECTION, FUNDING AND IMPLEMENTATION OF PROJECTS, PROGRAMMES AND TECHNICAL CO-OPERATION ACTIVITIES

1. The Bank and the Government may from time to time exchange proposals concerning the utilization of the grant funds made available under this Agreement. These proposals shall include:
   a) the allocation of funds as between the three components identified in Article I (i), (ii) and (iii);
   b) the objectives of the projects, programmes or activities;
   c) the cost estimates and financing plans; and
   d) the disbursement schedules based on periodic expenditure forecasts, which may be adjusted from time to time by mutual agreement of the parties.

2. An Exchange of Letters concluded by the parties hereto pursuant to this Agreement concerning the co-financing of specific project(s) or programme(s) shall constitute an agreement between the Government and the Bank. Such Exchange of Letters shall specify the amount of the contribution, the tentative implementation schedule of the project(s) or programme(s), as well as the disbursement schedule and any additional terms and conditions relating to the project(s) or programme(s).
3. Contributions to multi-donor funds and special funds managed by the Bank shall be made using the legal instruments applicable to the particular fund.

4. Subject to the provisions of this Agreement, the provisions of the Technical Cooperation Agreement shall continue to apply in respect of the technical cooperation activities financed under this Agreement.

5. The Bank shall exercise the same degree of care in the discharge of its functions under this Agreement as it exercises with respect to the administration and management of its own operations. It shall make every effort to ensure timely and full implementation of the projects, programmes and activities to be financed out of the resources made available under this Agreement.

ARTICLE III
CONTRIBUTIONS

1. The resources of the contributions made by Korea (“the Contributions”) shall consist of:
   a) All sums received from the Government in the form of instalments and made available to the Bank under this Agreement and credited to the account established under the Technical Cooperation Agreement (hereinafter the “Contribution Account”);
   b) Interest earned on the Contribution Account; and
   c) Investment income earned pursuant to paragraph 3 of Article IV of this Agreement.

2. Contributions by Korea under the Technical Cooperation Agreement for which no proposals for utilization have been approved as of the entry into effect of this Agreement shall, together with the “Additional Contribution” provided for under paragraphs 1, 2, and 3 of the Supplementary Technical Cooperation Agreement dated 16 October 2012, be deemed to constitute the “Initial Contribution” under this Agreement.

3. The Contributions shall be deposited into the Contribution Account based on the disbursement schedules referred to in paragraph 1(d) of Article II of this Agreement, and shall continue to be identified as the KOAFEC Trust Fund.

4. Commitment of resources under this Agreement shall be made in Korean Won, unless otherwise agreed by both parties. Payment of the contribution shall be in an amount in United
States Dollars as shall be determined by the Government by reference to the exchange rate prevailing in the Republic of Korea on the date of payment.

5. When making a deposit, the Government shall send a fax message to the Director of the Treasury Department of the Bank through fax number: (216) 71 330 632 or such other fax numbers as may be furnished by the Bank to the Government from time to time. The message shall contain the following:

a) The amount paid into the Contribution Account;

b) A statement that the funds are for financing the projects, programmes, or other activities agreed between the Parties; and

c) The date of deposit.

ARTICLE IV
ADMINISTRATION

1. The funds deposited into the Contribution Account shall be used by the Bank in accordance with the terms of this Agreement. The resources of the contribution may be co-mingled with other grant assets/resources managed by the Bank, but shall be kept separate and apart from the funds of the ADB and the ADF. The Bank may freely exchange the resources of the contribution into other currencies as may facilitate their disbursement.

2. All financial accounts and statements shall be expressed in United States Dollars. The Bank shall maintain separate records and ledger accounts, in respect of the contribution and disbursements thereof in accordance with its normal procedures.

3. The Bank may invest and reinvest the funds provided by the Government under this Agreement pending their disbursement. The Bank will credit all income from such investment and reinvestment to the Contribution Account.

4. To meet the costs and expenses of administering contributions, the Bank shall charge an administrative fee set at a minimum of five per cent (5%) of the total amount of each deposit made into the Contribution Account. The administrative fee shall be charged once on each
deposit and shall not be charged on subsequent payments made out of the Contribution Account. In the event that the Bank determines that the costs and expenses of administering contributions exceed the minimum fee, the parties agree to negotiate in good faith to establish a rate reflecting the actual costs of administration.

5. Subject to the provisions of this Agreement, the provisions of the Technical Cooperation Agreement shall constitute the operational framework for technical cooperation activities under this Agreement.

6. The operational framework applicable to multi-donor and special funds shall apply to the contributions to such funds made under this Agreement.

7. An operational framework shall be established by the parties for co-financing projects and programmes under this Agreement.

ARTICLE V
REPORTING

1. The Bank shall furnish the Government with the following documents, reports and financial statements:

   a) annual progress reports and consolidated financial statements on all activities and operations financed out of all grants, the status of each such activity or operation, and the extent of compliance by the beneficiary with provisions set out in the relevant grant or loan agreement, within three (3) months after the end of the year;

   b) an annual audited financial statement of funds deposited and disbursed from the Contribution Account under each grant within three (3) months after submitting a); and

   c) an annual report including a narrative section outlining the achievements of the operations and activities, as well as a financial report including expenditure incurred during the previous year as well as an overview of the unused funds within three (3) months after submitting a).

2. Upon request of the Government and at such times as shall be agreed by the parties, the Bank will procure the undertaking of an external post-evaluation of each project or programme financed out of the Contribution Account. The Bank shall fully cooperate with the
Government in the conduct of the evaluation, whose cost shall be charged to the Contribution Account. The evaluation shall focus on the results achieved, efficiency and effectiveness of implementation, and quality of financial and project administration of each project or programme financed out of the Contribution Account by the Bank.

3. All projects or programmes financed by proceeds of the Contribution Account shall be subject to the Information Disclosure Policies of the ADB and ADF.

ARTICLE VI
PROCUREMENT

1. The resources of the KOAFEC Trust Fund shall be untied.

2. The Bank shall be responsible for the selection and engagement of consultants, negotiation and conclusion of contracts, procurement of goods and services, supervision of projects, and disbursement of funds deposited into the Contribution Account. The selection and engagement of consultants shall follow the ADB’s Rules and Procedures for the Use of Consultants, as amended from time to time, and the procurement of goods and services shall be in accordance with the ADB’s Rules and Procedures for Procurement of Goods and Works, as amended from time to time.

3. 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.

4. The Bank shall take appropriate steps with the competent authorities of the beneficiary RMCs to ensure that consultants engaged under this Agreement are accorded the immunities, privileges, and exemptions to which they are entitled under the Agreement Establishing the ADB and the Agreement Establishing the ADF.
ARTICLE VII
AUDIT

1. Funds made available by the Government hereunder shall be subject to the internal and external audit procedures of the Bank provided for in the Bank's regulations, rules, and administrative instructions.

2. Upon written request by the Government, the Bank shall cause the account and records of any specific completed project, programme or activity financed under this Agreement to be audited by its external auditors.

3. The remuneration payable to the external auditors of the Bank as well as the costs and expenses incurred in commissioning the Bank's external auditors to carry out the tasks specified in paragraphs 1 and 2 hereof shall be charged to the Contribution Account.

ARTICLE VIII
EXCHANGE OF INFORMATION, CONSULTATION AND REVIEW OF COOPERATION

1. The Government and the Bank shall make available to each other all such relevant information that may be reasonably requested regarding the implementation of this Agreement.

2. The parties hereto shall cooperate to ensure that the purpose of this Agreement is fully accomplished. To this end, they shall at the request of either party exchange views on the implementation of this Agreement and the performance of their respective obligations hereunder.

3. Representatives of the Government and the Bank shall meet periodically to review the status of implementation and to discuss all matters arising out of their cooperation under this Agreement.
ARTICLE IX
CHANNEL OF COMMUNICATIONS AND NOTICES

1. For purposes of this Agreement the representative of the Parties shall be:
   a) For the Government: Director, International Financial Institutions Division, International Finance Bureau, Ministry of Strategy and Finance
   b) For the ADB and ADF: the Head, Partnerships and Co-operation Unit.

2. Either Party may, by notice in writing, designate additional representatives or substitute other representatives for those designated in this Article.

3. Any notice or request required to be given or made under this Agreement shall be in writing. Such notice or request shall be deemed to have been duly given or made when it shall have been delivered by hand, mail, or facsimile (confirmed by letter) to the party to which it is required to be given or made at the address specified below or at such other address as either party may have hereafter notified to the other:

   For the Government: Director
   International Financial Institutions Division
   International Finance Bureau
   Ministry of Strategy and Finance
   Government Complex, Sejong, 339-012
   Republic of Korea
   Tel: 82 44 215 4834
   Facsimile number: 82 44 215 8139
ARTICLE X
SETTLEMENT OF DISPUTES

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

ARTICLE XI
FINAL PROVISIONS

1. The Agreement is concluded for a period of five (5) years, which may be modified by mutual agreement between the parties.

2. The parties may, by a simple Exchange of Letters, elaborate provisions for implementing this Agreement as necessary.

3. The parties shall, before the elapse of the period specified in paragraph 1 of this Article, review the results achieved under this Agreement and consult with each other with a view to
deciding whether the term of the Agreement shall be renewed and additional resources should be provided by the Government. Any replenishment of the Contribution Account may come into effect through a simple exchange of letters between the parties.

4. Either party may terminate the present Agreement by giving three (3) months’ notice in writing to the other. The parties will consult in advance in case either Party is considering termination of the Agreement. Upon termination of the Agreement, and unless the parties decide otherwise, contractual obligations entered into between the ADB, ADF, any consultant, and/or any third party prior to the receipt of the notice of termination will not be affected by the termination. With respect to on-going projects or programmes whose implementation commenced prior to the date of termination of this Agreement, the foregoing provisions of the Agreement shall continue to be in force and effect until the relevant project or programme has been fully completed.

5. The Bank shall, as soon as reasonably practicable, in the event of a termination of this Agreement, transfer to the Government any balance of the funds held in the Contribution Account after all remaining obligations have been settled.

6. This Agreement shall not be construed as creating any rights or obligations under international law.

IN WITNESS THEREOF, the duly authorized representatives of the Parties have executed this General Cooperation Agreement in duplicate in the English language.

FOR THE GOVERNMENT OF
THE REPUBLIC OF KOREA

[                  ]
Ministry of Strategy and Finance

FOR THE AFRICAN DEVELOPMENT BANK
AND THE AFRICAN DEVELOPMENT FUND

President