

GOVERNMENT OF THE  
FEDERAL DEMOCRATIC REPUBLIC OF ETHIOPIA

CLIMATE RESILIENT GREEN ECONOMY (CRGE) FACILITY

OPERATIONS MANUAL



## PART 1: OVERVIEW

## Section 1: About this Manual

### 1.1 Purpose of the Manual

Ethiopia's Climate Resilient Green Economy (CRGE) Initiative outlines the vision, strategy, financing, and institutional arrangements Ethiopia will pursue to attain the triple goals of economic growth, net-zero emission, and climate resilience.

A critical part of the institutional arrangements is the CRGE Facility (The Facility), the national financing mechanism that has been created to support the implementation of the CRGE. Included within the responsibilities of The Facility are the mobilisation, allocation and oversight of funds required to help achieve the aims of the CRGE initiative.

The responsibilities and operational methods of The Facility are more fully described in this Operations Manual (The Manual). Overall responsibility for the operation of The Facility, and for the development and application of The Manual rests with the Ministry of Finance and Economic Development (MOFED).

The purpose of The Manual is to enable the smooth implementation and management of CRGE Facility. Initially it was created to Inform and guide to conclusions necessary discussions among stakeholders on the CRGE Facility's design and operation. Having achieved this The Manual is continually used and updated so as to:

Clarify exactly how The Facility fits within the overall CRGE initiative, and in particular how it relates to the Sectoral Reduction Mechanism (SRM) that converts CRGE Strategy into practical actions for implementation;

Provide a reference against which contributors to and beneficiaries of the CRGE initiative can determine whether and how they wish to participate;

Ensure that all stakeholders have a clear understanding of the procedures and systems necessary for the CRGE Facility's proper functioning; and

Provide guidelines and operating procedures that ensure the efficient, effective, consistent and transparent day-to-day operation of the CRGE Facility.

Accordingly, The Manual's use and application will assist all relevant parties to take appropriate action on a timely basis.

### 1.2 Structure of The Manual

The CRGE initiative is a vital component of Ethiopia's bold Growth and Transformation Plan (GTP). It aims to mobilise stakeholders and resources in innovative ways so as to deliver transformative results. Consequently some aspects of The Facility's operation are necessarily complex<sup>1</sup>; furthermore, all

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<sup>1</sup> In systems terms, design of The Facility's operations have applied the principle of 'requisite complexity'.

operational arrangements have to be subject to continual review and revision, to ensure they align fully with evolving circumstances and needs.

These overriding conditions in turn determine the structure and organisation of The Manual.

By reading from beginning to end, it is possible to get a complete and up-to-date understanding of the strategic context of the CRGE Facility, how it is organised and managed, and the policies and procedures that are applied to ensure its successful operation;

At the same time, it is expected that The Manual will more normally be referenced to check on specific aspects of the CRGE Facility’s operation. Each section therefore functions on a stand-alone basis, with cross-referencing guiding the user to other relevant information.

Each section has been created so that the operational details most likely to be subject to regular review and revision are separated from the general text. The organisation of the manual is intended to minimise disruption caused by necessary updates.

Table 1.1 summarises the organisation of the contents of The Manual.

**Table 1.1: Structure of the Operations Manual**

Main Subject	Detailed Information
Part 1: Overview	Foreword Section 1 (this section): About this Manual Overall reference information: table of contents, glossary of terms, and specification of abbreviations and acronyms
Part 2: Institutional and Organisational Design of the CRGE Initiative and CRGE Facility	Section 2: CRGE Vision and Architecture Section 3: Structure and Organisation of the Facility Section 4: Governance of the CRGE Initiative Section 5: Implementation Arrangements
Part 3: Management of the Facility	Section 6: Resources Management and Financial Reporting Section 7: Auditing and Assurance of The Facility Section 8: General Communications and Disclosures

Main Subject	Detailed Information
Part 4: The Programming Cycle	Section 9: Managing Demand Section 10: Appraising Applications Section 11: Approval, Disbursement and Implementation Management Section 12: Monitoring, Evaluation and Reporting

A full table of contents has been included after Section 1.

### 1.3 Guidance to the User

This Manual is based on many preceding documents and will be revised throughout the lifetime of the CRGE initiative. Inevitably the preceding documents and other related materials will not necessarily have been updated, and inconsistencies may arise between the content of The Manual and such related documents. In such cases the contents of the current authorised version of The Manual should be considered to provide the correct information.

It is expected that this Manual will be referenced by a variety of interested parties, with diverse involvement in and understanding of the CRGE initiative. As far as possible it has been written in a way that should be clear to the anticipated range of readers; where it has been impossible to eliminate the use of potentially unfamiliar terminology, clarifying information has been included in the glossary of terms and/or the specification of abbreviations and acronyms.

Each section contains all information directly relevant to it. To simplify the process of updating, detailed information (for example, lists of criteria, sample forms, contact details, and so forth) have been separated at the end of the section. The detailed contents are therefore summarised at the beginning of each section.

In order to access specific information the user should therefore:

First review Table 1.1 above to identify the section containing the required information; and  
 Subsequently refer to the table at the start of that section, to determine the specific location of the information required.

### 1.4 Maintenance of the Operations Manual

This Operations Manual is the property of MOFED, which updates it on behalf of the CRGE initiative's stakeholders, in accordance with its governance arrangements.

In the first instance, enquiries about The Manual (including recommendations for improvement) should be directed to the Secretariat of the CRGE Facility.

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## Glossary of Terms

This glossary covers terms that are specific to the CRGE Facility and which may therefore be unfamiliar. It does not offer definitions of terms that are in wider use.

<b>Activity</b>	<b>GE Actions taken through which inputs, such as funds, raw materials, energy, technical assistance and other types of resources are mobilised to produce specific outputs.</b>
<b>Administrative Agent</b>	This role is being performed by UNDP's Multi-Partner Trust Fund Office.
<b>Approved Accounting Intermediary</b>	A qualified body pre-approved by the CRGE Facility to act as financial conduit for funds to be disbursed via NIEs to Non-State Actors. These approved bodies will perform accounting functions in accordance with the rules and regulations of the CRGE Facility.
<b>Advisory Board</b>	The Advisory Board will consist of development partners (including those capitalising each of The Facility's Windows), representatives of multilateral organisations, international NGOs and civil society, private sector and academia. It will review draft investment plans (both regional and sectoral) and provide comments and suggestions to the CRGE Technical and Management Committees. However, the Advisory Group will not be part of the decision-making process, except as donor representatives on the Management Committee with regards to approval of funds from the International Account.
<b>Approved Actions</b>	Eligible projects that address the needs of the CRGE Strategy and that have been approved technically, and that have been allocated funds and that are subject to by the CRGE Facility.
<b>Barrier to GE Implementation</b>	Different types of objective barriers that would either impede or significantly delay investment and/or implementation. It is assessed using the relevant guideline for barrier analysis or positive list benchmark.
<b>Baseline</b>	The reference level of vulnerability or emissions that will be used as starting quantities for measuring the cost of vulnerability and quantity of emission reduction target setting.
<b>Baseline Emission</b>	The Green House Gas emission in the relevant monitoring year corresponding to the Baseline emission intensity identified following a certain Baseline approach and the service level of the proposed GE project/programme activity.
<b>Baseline Protocol</b>	A guiding protocol of the baseline Approach chosen, with a set of standard instructions that is instituted to guide the ex-ante determination of the

	counterfactual Baseline scenario of a sector at Base Year and target year or a project at start date and each crediting year. Baseline Protocol could be one that can be used to develop either of BAU, BAU <sup>+</sup> , top few technology performance, Net Mitigation Benefit etc.
<b>Baseline Technology</b>	The set of equipment and processes included in the project boundary that result in the relevant output in the baseline.
<b>Base Year</b>	Calendar year 2010, the year chosen as the reference year on the November 2011 CRGE Strategy, based on which the CRGE elements and 2025 targets are founded. Technologies used by comparative facilities to deliver an output in that year in each sector would serve establishing the counterfactual Baseline. In case of introduction of new product (of new application) to the market, then the most plausible scenario to deliver that new output would form the Baseline.
<b>Business-as-Usual (BAU) Scenario</b>	A forward-looking baseline that projects the likely future cost of vulnerability and the quantity of emission.
<b>Conditional Funds</b>	Funds committed to the CRGE through Strategic Agreements that are allocated to specific themes defined within the CRGE Strategy Framework.
<b>Climate Resilient Strategy</b>	The first element of the national Climate Resilience (CR) strategy, covering the crucial sector of agriculture, was completed in March 2013, at which time further CR strategies were under development, the next priorities being the energy and water sectors.
<b>CRGE Capacity Development Programme</b>	A comprehensive institutional strengthening system, working at each of the systemic, organisational and individual levels, and encompassing the critical disciplines of analysis and policy, coordination, financing and Measurement, Reporting and Verification, crafted to ensure that the potential of the CRGE Initiative can be fulfilled.
<b>CRGE Core Team</b>	A specialist team housed in the Ministry of Environmental Protection and Forestry responsible for development of standardised guidance, ad-hoc sector specific support and technical back stopping for the SRM.
<b>CRGE Facility (The Facility)</b>	The Government of Ethiopia's national vehicle established to help mobilise, blend, combine and sequence domestic and international, public and private finance to support the institutional building and implementation of Ethiopia's CRGE Strategy.
<b>CRGE Secretariat (the Secretariat)</b>	The Secretariat is a unit seated in MOFED that, in close coordination with MEPF, supports the Facility's Management Committee and Task Force on Facility-related matters. The Facility Secretariat is under the direct supervision and control of the State Minister of External Economic Cooperation, which chairs the Management

	Committee, and is responsible for the overall coordination of The Facility's portfolio.
<b>CRGE Strategy</b>	The Ethiopian strategy (LED document) publicised on November 2011, with the goal of achieving a climate resilient green economy middle income status by 2025. Its green economy (GE) ambition is to achieve zero net Green House Gas Emission by 2025 compared to the projected BAU; taking 2010 as a Base Year yet without compromising the economic ambition of achieving a GDP of middle income status. Each reduction proposal will therefore go through the ex-ante test on category of action during investment proposal. CRGE prefers to promote a sectoral and programmatic approach.
<b>CRGE Strategy Framework</b>	The CRGE Strategy Framework defines at a high level the key themes of the strategy that finance will be required for, and specifies the current strategic objectives set by the Management Committee in relation to each of these themes. The Framework explicitly recognises that different sources of funding are available for actions addressing GE and CR, and ensures that that such sources can channel their funds as required.
<b>Designated Account</b>	An account established by an entity to record the source and application of funds from The Facility
<b>Earmarked Funds</b>	Funds committed to the CRGE through Targeted Agreements that are allocated (earmarked) to specific objectives that are defined at a level that is more detailed than can be accommodated by the CRGE Strategy Framework.
<b>Equity Investment</b>	A contribution to cover the total investment or a certain part of the total investment as a contribution from the Executing Entity or other co-investor on a GE action. Contribution towards Equity may take one or more of the following forms: financial capital; technology equipment capital; financial and innovation/intellectual capital (including design and management of GE measure); equipment and innovation/intellectual capital (including design and management of GE measure); and financial, equipment and innovation/ intellectual capital (including design and management of GE measure).
<b>Executing Entity</b>	Any of the private sector enterprises, parastatals, micro green enterprises, community associations, non-governmental organizations, research organizations, professional societies, academic institutions, consultancy firms, financial institutions, insurance companies that are involved in the preparation and implementation of concrete reduction actions. The Executing Agency is the body contracted and responsible for executing an Approved Action.
<b>Facility Account (sometimes also referred to as the</b>	A dedicated account established by MOFED for the CRGE Facility, through which financial contributions are channelled to approved Executing Entities. Some Finance Partners submit their contributions directly into the Facility Account; other Finance

<b>National Account)</b>	Partners make contributions to the International Account, from which it is channelled to Executing Entities via the Facility Account.
<b>Finance Partners</b>	Public and private sector entities that commit financing to the pooled funds managed by the CRGE Facility.
<b>Focal Person</b>	An environmental unit or a regional environmental agency representative nominated and communicated to the Ministry of Environmental Protection and Forest in writing by each sectoral agency or regional government.
<b>Green Economy Strategy</b>	The Green Economy (GE) strategy was completed in September 2011 and in particular analysed low carbon development technologies and development co-benefits.
<b>Implementing Entity</b>	Any of the Ministry of Agriculture, Ministry of Water and Energy, Ministry of Transport, Ministry of Industry, Ministry of Urban Works and Development, Ministry of Health, the 9 Regional States and the two City Administrations. The Implementing Entities are involved both in the development of Sector Reduction Plans and in attracting, coordinating and formulating responsive proposals.
<b>Implementing Partners</b>	Entities that submit proposals to The Facility for funding and/ or which receive funds from The Facility to support approved actions.
<b>Integrated Resource Mobilisation Framework</b>	The IRMF consolidates the different elements of CRGE funds mobilisation, allocation and management. In particular it: projects the overall flows of funds required to meet the objectives set by the CRGE Strategy and the SRM, as encapsulated in the CRGE Strategy Framework; summarises the current availability of secured funds, according to their conditions and earmarks (this information is available from the Statement of Availability of Funds); and identifies specific funding gaps to be filled in order to meet the projected requirements of approved programmes and projects.
<b>International Account</b>	A dedicated account managed by the Multi-Partner Trust Fund on behalf of the CRGE Facility, into which some Finance Partners submit their contributions, when this is preferred to direct contributions to the Facility Account.
<b>Management Committee</b>	A standing committee chaired by the State Minister of External Economic Cooperation and comprising senior representatives of Government line ministries plus representatives of financial partners, responsible for providing general oversight for the CRGE initiative as well as determining the optimum allocation of available funds to approved actions.
<b>Measurement, Reporting and</b>	The act of monitoring the implementation of a GE activity as per the selected monitoring protocol of the design document (monitoring), measuring the parameters leading to the estimation of the result (measuring), recording the

<b>Verification</b>	measured and estimated parameters using a reporting protocol (reporting) and institution of independent audit to verify the results claimed (verification).
<b>Ministerial Steering Committee</b>	Also referred to as the Inter-Ministerial Steering Committee or the Steering Committee. The Ministerial Steering Committee is chaired by the Prime Minister's Office, which will set the criteria and scope for approving action plans, and determine the overarching priorities for the CRGE Facility.
<b>Pooled Finance</b>	Pooled funds comprise those amounts that have been committed to the CRGE Initiative, to the accounts managed by the CRGE Facility, for allocation to actions approved by and in accordance with the prevailing rules and policies The Facility.
<b>Programmatic</b>	A holistic approach to CR and GE reduction, working across technical, sectoral and geographical boundaries to bring about sustainable change that will contribute to Ethiopia's Growth and Transformation.
<b>Programmed Window</b>	The Programmed Window will be used to channel funds subject to Strategic Agreements (that is, conditions align with the CRGE Strategy Framework) to approved actions.
<b>Proposal Submission Date'</b>	The deadline by when The Facility needs to receive proposals from National Implementing Entities.
<b>Reduction</b>	The minimisation of the cost of countering social, economic and/or environmental vulnerability to the adverse effects of climate change; hereinafter referred to as 'cost of vulnerability', and/or the minimisation, avoidance or removal of anthropogenic greenhouse gases; hereinafter referred to as 'emission reductions'.
<b>Registry</b>	A publicly available interactive media showing the Sectoral Reduction Mechanism GE projects in the country and the results achieved by SRM projects implemented for meeting domestic goal. It may also additionally have portals for showing the results achieved by bilateral mechanisms (ex: JCM) implemented for credit surrender and the results achieved by multilateral market based mechanisms for credit trading (Ex:CDM).
<b>Responsive Window</b>	The Responsive Window will be used to channel funds subject to Targeted Agreements (that is, funds are subject to geographical or technical earmarks not accommodated by the CRGE Strategy Framework) to approved actions.
<b>Responsible Party</b>	An entity that has agreed to conduct certain tasks of an Approved Action on behalf of an Implementing Entity or Executing Entity
<b>Sectoral Reduction Mechanism</b>	The SRM is the mechanism instituted to achieve the goals of the CRGE Strategy. It is an economy wide system for reducing vulnerability and Green House Gas emissions

	in ways that contribute to strong economic development in Ethiopia, and for mobilising the action and finance required to implement the CRGE vision on the ground. The SRM comprises two elements. The Sectoral Reduction Mechanism Green Economy (SRM-GE) is the mechanism instituted to achieve the GE component of the CRGE strategy (that is, achieving a carbon neutral economy by 2025 compared to the projected BAU taking 2010 as a base year); the Sectoral Reduction Mechanism Climate Resilience (SRM-CR): is the mechanism instituted to achieve the CR component of the CRGE strategy (that is, achieving climate resilient economy by 2025 compared to the projected BAU vulnerability taking a relevant base year).
<b>Sector Reduction Action Plan</b>	A plan developed and adopted by one of the Implementing Entities designed to contribute to poverty eradication and sustainable development within their respective sector. Each SRP shall determine the specific geographical and sectoral boundaries, describe the relevant activities and their respective executing entities, identify the sources of vulnerability and emissions, and assess the impacts of climate change and greenhouse gases.
<b>Specialist Financial Intermediaries</b>	Specialist financial organisations that have been contracted by the CRGE Facility to undertake defined disbursement and management activities for specific financial instruments that respond to the needs of the Sectoral Reduction Mechanism.
<b>Statement of Availability of Funds</b>	A statement of the aggregate sums of money (defined as committed, received, due and projected) available to the CRGE Facility. Aggregate sums are also broken down by theme specified in the CRGE Strategy Framework.
<b>Strategic Agreements</b>	When the providers of finance either impose no conditions or require that funds be assigned to particular strategic themes defined in the Strategy Framework, the CRGE Facility will negotiate Strategic Agreements that define any amounts assigned to specific themes. In this way conditionality will not impair the CRGE Initiative's ability to work strategically.
<b>Strategic Allocations</b>	Strategic Allocations record what amount of funding is available in relation to each of the themes included in the CRGE Strategy Framework, and in relation to each of the CR and GE elements of the strategy. The relevant amounts are detailed in the Statement of Availability of Funds.
<b>Strategic Themes</b>	The high-level themes that comprise the CRGE Strategy Framework, under which specific strategic objectives are defined.
<b>Targeted Agreements</b>	When the providers of finance impose funding earmarks that are more specific than the high level themes defined in, but that the purpose of which still fall within, the CRGE Strategy Framework, The Facility will negotiate a Targeted Agreement that defines the particular uses (that is, the earmarks) to which it has been agreed the



	funds may be applied.
<b>Targeted Allocations</b>	Targeted Allocations record what amount of funding is available in relation to the specific earmarks negotiated under Targeted Agreements, as well as the terms of the earmarks relating to these funds. Earmarked amounts are also defined in relation to each of the CR and GE elements of the strategy. All relevant amounts are detailed in the Statement of Availability of Funds.
<b>Transformative</b>	In being transformative, the CRGE initiative has been designed to have the power to change completely and dramatically the ways in which Ethiopia achieves carbon-neutral economic growth
<b>Technical Committee</b>	The CRGE Technical Committee will assess and approve investment plans submitted to both the Programmed and Responsive Windows. It will appraise investment plans against both climate criteria (such as resilience and green growth) and development criteria (for example, alignment with the GTP, contribution to poverty reduction, and so forth), as well as the degree to which they include safeguards against undesirable social and environmental impact. Where international climate finance is to be mobilised outside of The Facility (e.g. the Green Climate Fund), the CRGE Technical Committee will help ensure that implementation arrangements are compatible with internationally emerging MRV requirements.
<b>Zero Net Carbon Emissions</b>	Refers to achieving net zero carbon emissions by balancing a measured amount of carbon released with an equivalent amount sequestered or offset, or buying enough carbon credits to make up the difference. It is used in the context of carbon dioxide releasing processes associated with transportation, energy production, and industrial processes such as production of carbon neutral fuel.

## Abbreviations and Acronyms

<b>AB</b>	<b>Advisory Board</b>
<b>BAU</b>	Business-as-Usual
<b>BOFED</b>	Bureau of Finance and Economic Development
<b>CDM</b>	Clean Development Mechanism
<b>CIF</b>	Climate Investment Fund
<b>COP</b>	Conference of the Parties
<b>CR</b>	Climate Resilience
<b>CRGE</b>	Climate Resilient Green Economy
<b>DOAs</b>	Delegations of Authority
<b>EPACC</b>	Ethiopia’s Program of Adaptation to Climate Change
<b>FCPF</b>	(World Bank’s) Forest Carbon Partnership Facility
<b>GDP</b>	Gross Domestic Product
<b>GE</b>	Green Economy
<b>GHG</b>	Green House Gas
<b>GTP</b>	Growth and Transformation Plan
<b>IE</b>	Implementing Entity
<b>IFR</b>	Interim Financial Report
<b>IRMF</b>	Integrated Resources Management Framework
<b>M&amp;E</b>	Monitoring and Evaluation
<b>MBI</b>	Market-based Instrument
<b>MC</b>	Management Committee
<b>MDBs</b>	Multilateral Development Banks
<b>MEF</b>	Ministry of Environment and Forest
<b>MOA</b>	Memorandum of Agreement
<b>MOFED</b>	Ministry of Finance and Economic Development
<b>MOU</b>	Memorandum of Understanding
<b>MPTF</b>	(UNDP’s) Multi-Partner Trust Fund

<b>MRV</b>	Measurement, Reporting and Verification
<b>MSC</b>	Ministerial Steering Committee
<b>NAMA</b>	Nationally Appropriate Mitigation Action
<b>NAP</b>	National Adaptation Plan
<b>NCB</b>	National Competitive Bidding
<b>NGO</b>	Non-governmental Organisation
<b>NSA</b>	Non-State Actor
<b>OFAG</b>	Office of Federal Audit General
<b>ORAG</b>	Office of Regional Audit General
<b>PMO</b>	Prime Minister's Office
<b>PPA</b>	Public Procurement Agency
<b>PUNOs</b>	Participating United Nations Organizations
<b>RBM</b>	Results-based Management
<b>REDD+</b>	Reduced Emission from Deforestation and Degradation
<b>SBDs</b>	Standard Bidding Documents
<b>SFI</b>	Specialist Financial Intermediary
<b>SRM</b>	Sectoral Reduction Mechanism
<b>SRP</b>	Sector Reduction Plan
<b>TA</b>	Technical Assistance
<b>TOR</b>	Terms of Reference
<b>TRAP</b>	Thematic Reduction Action Plan
<b>UNCCD</b>	UN Convention to Combat Desertification
<b>UNFCCC</b>	United Nations Framework Convention on Climate Change
<b>UNDP</b>	United Nations Development Programme
<b>WOFED</b>	Woreda Office of Finance and Economic Development

## PART 2: INSTITUTIONAL AND ORGANISATIONAL DESIGN OF THE CRGE INITIATIVE AND CRGE FACILITY

## Section 2: CRGE Vision and Architecture

### 2.1 Background to the CRGE Initiative

The CRGE initiative is a vital component of Ethiopia's drive towards a prosperous future. The country registered a double digit annual economic growth rate during the decade up to 2012, and the International Monetary Fund expects Ethiopia to become one of the world's fastest growing countries over the coming years. At the same time, it is highly vulnerable to climate change. Ethiopia's CRGE initiative therefore sets the goal of reaching middle income country status by year 2025 with net-zero greenhouse gas (GHG) emission growth while simultaneously building the resilience of the economy to climate shocks.

As well as being environmentally responsible, a climate resilient and low-emission (rather than a carbon-intensive) development pathway should result in significant economic benefits for Ethiopia. The Government of Ethiopia is committed to delivering this vision in line with national and international best practice, drawing on global experience and sharing lessons with other countries tackling similar challenges, and has committed domestic public resources to these ends.

Ethiopia also wishes to have access to international resources to support CRGE implementation. This is critical, as preliminary estimates indicate that building the green economy will alone require total expenditure of around US\$ 150 billion over the next 20 years<sup>2</sup>, with around US\$ 80 billion of required funding estimated to be capital investment and the remaining US\$ 70 billion assessed as being necessary to cover operating and programme expenses.

Given the extent of the funding requirement, of particular relevance are the United Nations Framework Convention on Climate Change's (UNFCCC's) successive agreements (in Copenhagen 2009, Cancun 2010, Durban 2011 and Doha 2012) that mandate developed countries to provide new and additional finance in order to support developing countries in their response to climate change. While it is unclear how much of the anticipated financing will over time become available, and in what form, international agreements have invited developing countries to prepare low-carbon development strategies or plans. The implementation of plans should be done in ways that can be measured, reported and verified, in order to be able to access international financing. Therefore, Ethiopia should make plans that are relevant to internationally accepted measurement, reporting and verification (MRV) regimes.

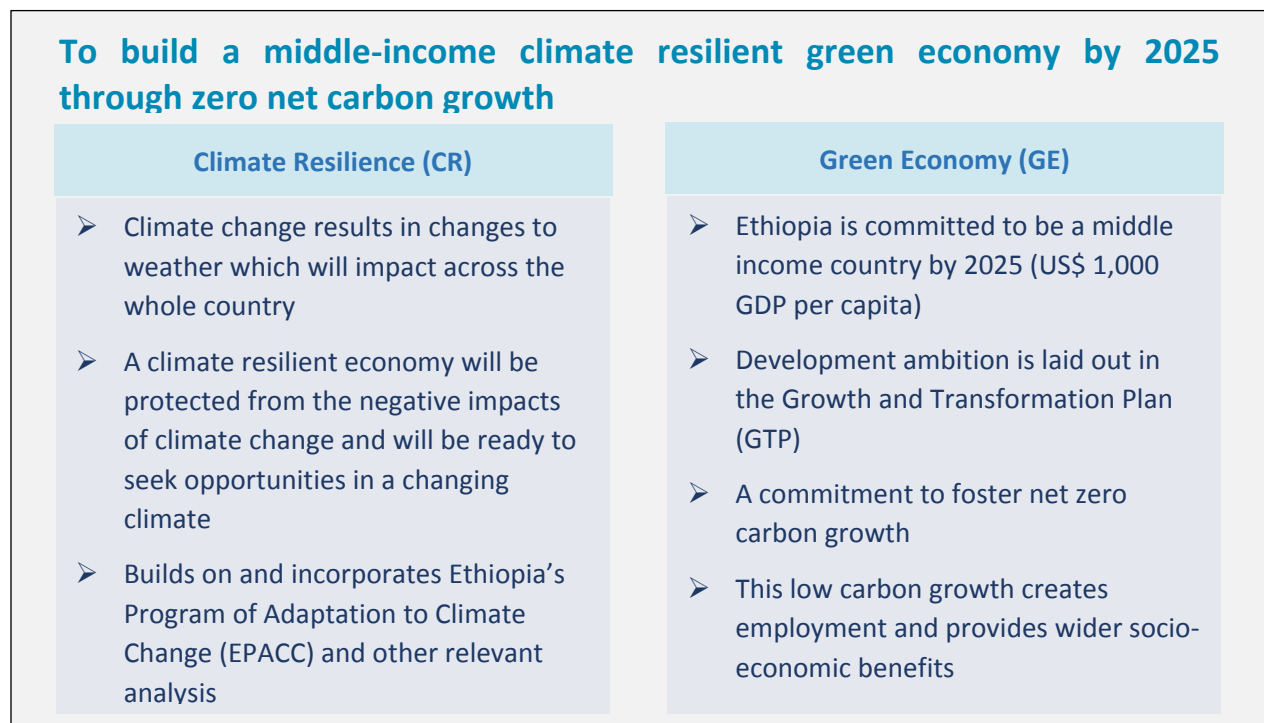
### 2.2 CGRE Vision and Strategy

The CRGE initiative was officially launched on 8 December 2011 in Durban, South Africa by H.E. Mr. Meles Zenawi, then Prime Minister of Ethiopia, during the Seventeenth session of the Conference of the Parties of the UNFCCC. The vision of this initiative is encapsulated in Figure 2.1.

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<sup>2</sup> As cited in the 'Green Economy Strategy, September 2011' developed under Ethiopia's CRGE. It should be noted that not all of this expenditure is necessarily additional to current investment plans – rather, a large part of this expenditure (for example, for power generation infrastructure or transport infrastructure) would also occur in a conventional growth scenario.

Figure 2. 1 The Vision

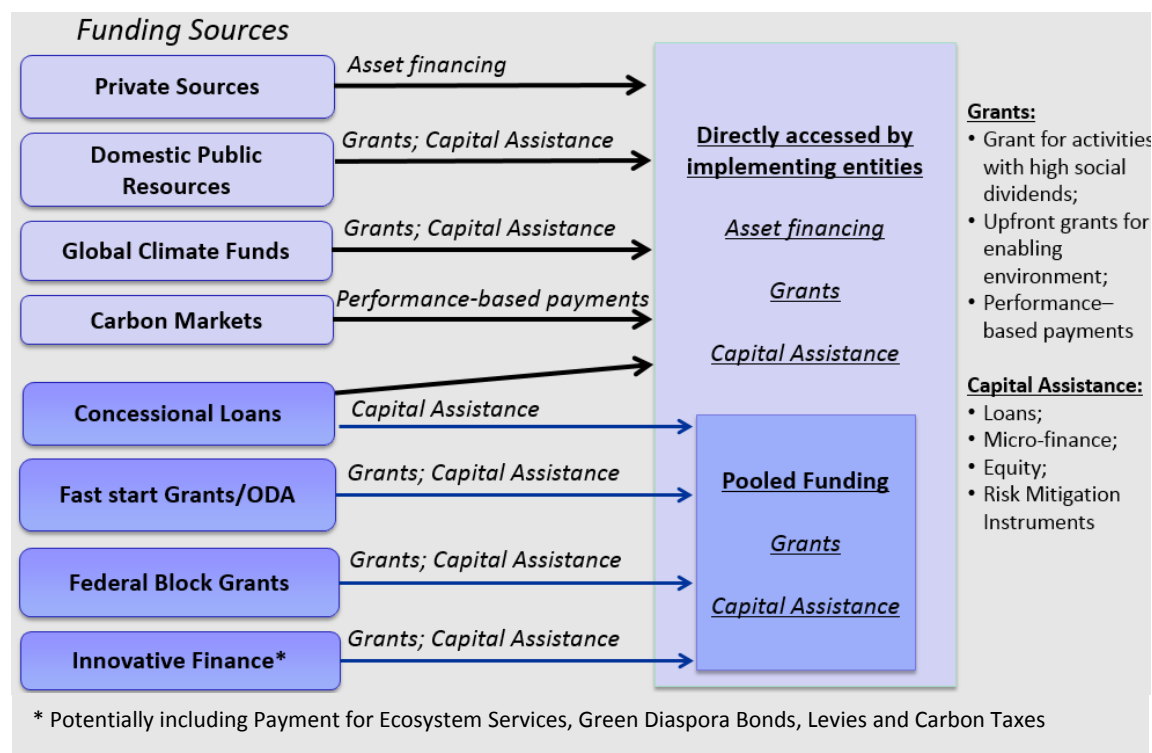


The initiative is framed by the CRGE Strategy<sup>3</sup>. The Green Economy (GE) strategy was completed in September 2011. It analysed the potential of low carbon development technologies and development co-benefits. The first element of a national Climate Resilience (CR) strategy, covering the crucial sector of agriculture, was completed in March 2013. Further CR strategies are under development, with the immediate priorities being the energy and water sectors.

The CRGE Strategy explicitly recognises that, while some sources of finance – such as from bilateral development agencies - can be channelled through a pooled account, others – such as Global Climate Funds – may need to be accessed directly by accredited entities. Figure 2.2 highlights the potential types of finance that the CRGE initiative hopes to attract, either by pooling funds for allocation to actions, or alternatively in using the pool to foster compliance with international standards and requirements and thus help leverage additional finance.

<sup>3</sup> A summary of the current CRGE Strategy has been provided in Annex 2(1).

Figure 2. 2 Potential CRGE Funding Sources and Access Arrangements



The expectation is that Ethiopia’s development partners will increasingly channel relevant bilateral and multilateral climate funds through the CRGE Facility, which also provides opportunities to use climate finance to complement other existing forms of investment and thereby bolster Ethiopia’s core climate-compatible development activities (in areas such as food security, energy, infrastructure development and natural resources management).

In addition to increasing the scale of climate finance potentially available to the country, the CRGE initiative aims to enhance the coordination and targeting of its utilisation, by providing a single coherent system within which development partners, the private sector, civil society and other stakeholders can engage and determine how best to invest in relevant actions. Implementation of the CRGE Strategy will involve both mainstreaming climate change into existing development investments, and the introduction of new activities. Over time, it is anticipated that the CRGE initiative will go beyond greening the GTP and informing it to being fully integrated and aligned with it.

The detailed objectives of the CRGE initiative will be reviewed regularly, to ensure they reflect the evolving needs of the country, the results achieved to date, the interests and concerns of all stakeholders, and the resources that are becoming available – domestically and internationally – to help address critical climate change issues. Accordingly, CRGE governance mechanisms,<sup>4</sup> will review the

<sup>4</sup> See section 4.

strategy as-needed basis when there are material changes in the circumstances relevant to the CRGE initiative. Details of current objectives are included in the annexes to this section<sup>5</sup>.

## 2.3 Components of the CRGE Initiative

The CRGE architecture has been developed to enable a programmatic and transformative approach for implementing relevant activities that minimises the transaction costs, fragmentation and duplication associated with a project-based approach. As far as possible, the architecture also embeds CRGE systems within existing mechanisms for economic and environmental planning and implementation.

The system created to help convert the CRGE vision into practical action on the ground, and thus bring about a climate resilient green economy is the **Sectoral Reduction Mechanism (SRM)**. Supporting the operation of the SRM are four core institutions:

**The Inter-Ministerial Steering Committee:** chaired by the Prime Minister's Office, the Committee sets the criteria and scope for approving action plans, and determine the overarching priorities for the CRGE Facility;

**The CRGE Management Committee:** a standing committee comprising senior representatives of Government line ministries and the National Planning Commission<sup>6</sup>, responsible for providing general oversight for the CRGE initiative as well as determining the optimum allocation of available funds to approved actions and alignment with the GTP;

**The CRGE Facility:** the Government of Ethiopia's national vehicle established to help mobilise, blend, combine and sequence domestic and international, public and private finance to support the institutional building and implementation of Ethiopia's CRGE Strategy.

**The CRGE Secretariat:** undertakes day-to-day management of functions of the SRM. The Technical Unit of the Secretariat is housed by the Ministry of Environment and Forest (MEF) and is responsible for the development of standardised guidance, ad-hoc sector specific support and technical back stopping for the SRM, and quality assurance for Sector Reduction Actions in line with agreed guidance and criteria. The Finance Unit and Implementation Unit of the Secretariat are housed in MOFED.

The architecture of the CRGE initiative is illustrated in Figure 2.3; the SRM and the CRGE Facility are introduced in more detail in the remainder of this section. All elements of the SRM are supported and enabled by a comprehensive **Capacity Development Programme**, working at each of the systemic, organisational and individual levels, and encompassing the critical disciplines of analysis and policy, coordination, financing and MRV, and crafted to ensure that the potential of the CRGE Initiative can be fulfilled.

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<sup>5</sup> See Annex 2(1).

<sup>6</sup> As explained in section 4 of this Manual, in certain circumstances the Management Committee may also include representatives of financial partners.



The specific policies and procedures that will be used to ensure the effective, efficient and transparent operation of each element of the architecture are described in subsequent sections of this Manual. The CRGE architecture will be continually reviewed and strengthened in response to evolving circumstances, and to ensure that it continues to enable programmatic and transformative actions.

## **2.4 The Sectoral Reduction Mechanism**

The Sectoral Reduction Mechanism (SRM) is an economy wide system for reducing vulnerability and GHG emissions in ways that contribute to strong economic development in Ethiopia. Put simply, the SRM is a mechanism for mobilising action and finance and thereby for implementing the CRGE vision on the ground.

The purpose of the SRM is to plan the implementation of actions, and facilitate the allocation of required finance. It does this by providing technical and quality assurance for planning and financial assistance for both the preparation and the implementation of reduction actions across the economy. It will eventually be fully aligned with national planning and budgeting processes in Ethiopia in the GTP.

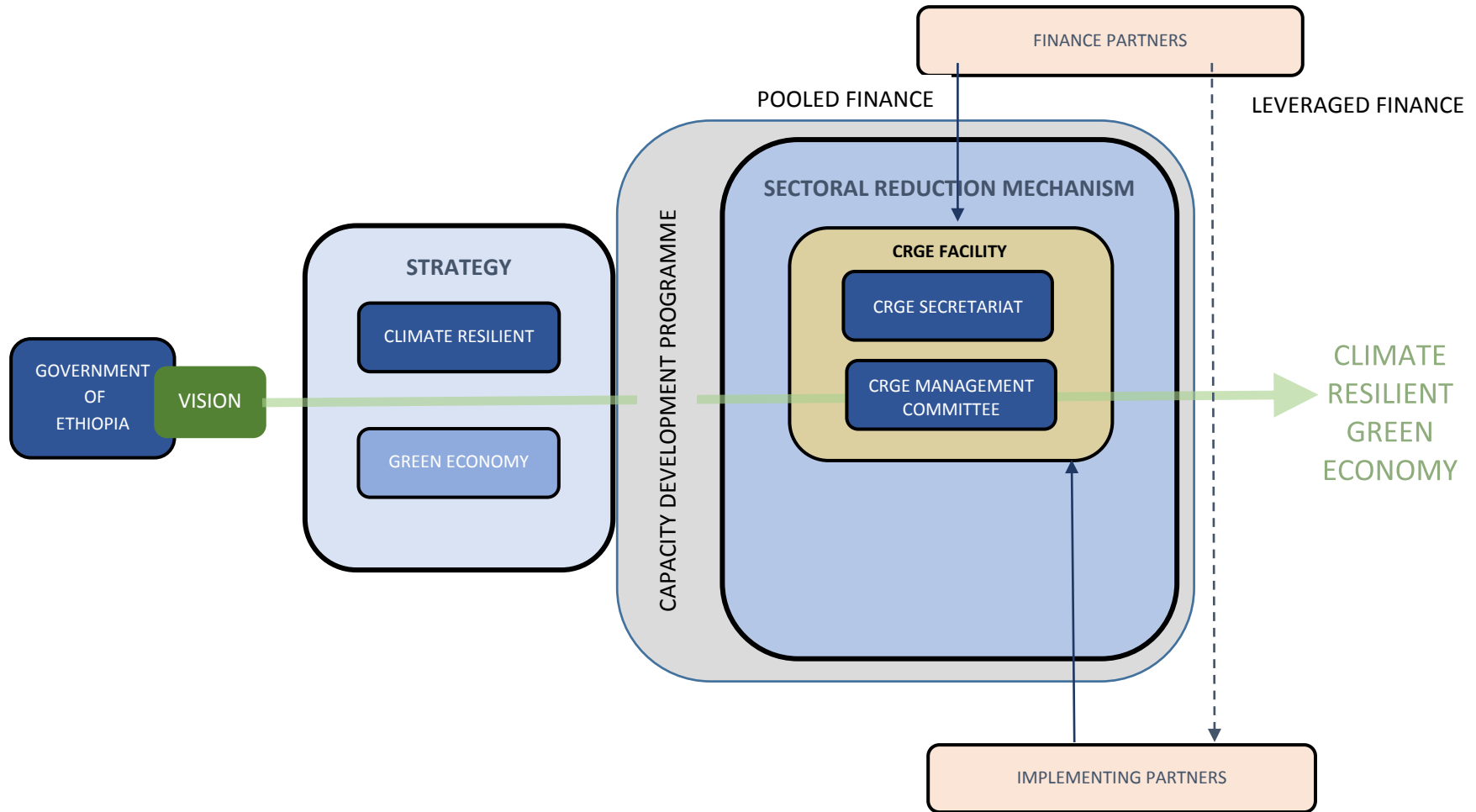
The SRM has three specific aims, namely to:

Mainstream green growth and resilience into Ethiopia's broader development activities;  
Ensure that Ethiopia's efforts are aligned and coordinated; and  
Leverage significant additional investment toward action on the ground.

The SRM process is split into four broad steps, covering planning, review and quality assurance, finance allocation and monitoring and evaluation of investments:

1. Develop and Validate Sector Reduction Action Plans (SRAPs);
2. Technical and Financial Review of SRAPs;
3. Financial Mobilisation and Allocation of investment;
4. Monitoring, Evaluation and Reporting of Results.

Figure 2. 3: The Architecture of the CRGE Initiative



## 2.5 The CRGE Facility

The CRGE Facility sits in and is staffed by the Ministry of Finance and Economic Development (MOFED), with additional support from national and international technical advisers on request. It coordinates closely with other key sector institutions including the MEF, the National Planning Commission and the PMO. The objectives of the CRGE Facility are as follows:

**Financial mobilisation and allocation:** The CRGE Facility is the Government’s vehicle to mobilise, access and combine domestic and international, public and private sources of finance to support the institutional building and implementation of Ethiopia’s CRGE Strategy;

**Stakeholder coordination:** The CRGE Facility provides a single engagement point where the Government, development partners, the private sector, civil society and other stakeholders can engage and make decisions about how best to utilise available finance in the pursuit of the CRGE vision and goals; and

**Unlocking capital at scale** - blending investment sources and leveraging: the CRGE Facility will use climate finance to complement other existing forms of investment to bolster Ethiopia’s core climate-compatible development activities, thereby promoting the full integration of CRGE with the GTP.

Additional detail on the objectives, organisational design and operational methods of the CRGE Facility are provided in the remainder of this Manual.

## Section 3: Structure and Organisation of the CRGE Facility

### 3.1 Scope of Work of the CRGE Facility

The CRGE Facility mobilises and allocates all types of relevant finance to approved actions on a flexible and appropriate basis, through a range of financing instruments (in combination where relevant). This includes, but is not limited to, conditional and un-conditional grants and up-front financing, guarantees, loans and results-based payments. As such the Facility is responsible for:

- Helping to attract and secure funding that can be allocated to CRGE actions;
- Guide and advise parties interested in submitting SRAPs and investment proposals for funding;
- Help determine the optimum allocation of available funds to approved actions;
- Monitor, evaluate, verify and report on the results achieved by funded actions; and
- Provide fiduciary assurance to the providers of finance.

The CRGE Facility intends to access, and put to strategic use, finance that is available and relevant to the CRGE initiative. Finance will be used to make catalytic investments and to leverage new and additional finance. In particular, and within the scope of the responsibilities outlined above, the CRGE Facility aims to:

- Help mobilise a substantial amount of finance required for meeting the challenge of building a climate resilient green economy with zero net carbon emissions. Finance will come from various sources, in particular the government, private finance, development partners, carbon trading schemes and financial mechanisms of multilateral environmental agreements; and

- Channel financial support to those actions that contribute most to climate resilient low carbon 'green' growth. It achieves this by providing grants, guarantees for loans, co-financing, concessional loans or ex-post rewards in the form of payment for verified results. The financial support of the CRGE Facility will be directed through purpose-built 'windows' and can be used for actions such as capacity building, policy changes and programme investment with the aim of addressing specific costs and risks that negatively affect the viability of a climate resilient green investment in Ethiopia.

Some of the sources of finance are known and modalities for their management are readily available; others will be new to the country and will place unfamiliar demands on institutional capacity. The business model will need to incorporate flexibility in order to accommodate what will potentially be the diverse requirements of the providers of as well as the applicants for finance.

It is accepted that not all of the funds necessary to implement the CRGE Strategy will be channelled through the CRGE Facility. For example, civil society and private sector finance in the Ethiopian economy that contributes toward CRGE objectives may well not be channelled through the Facility. Another case

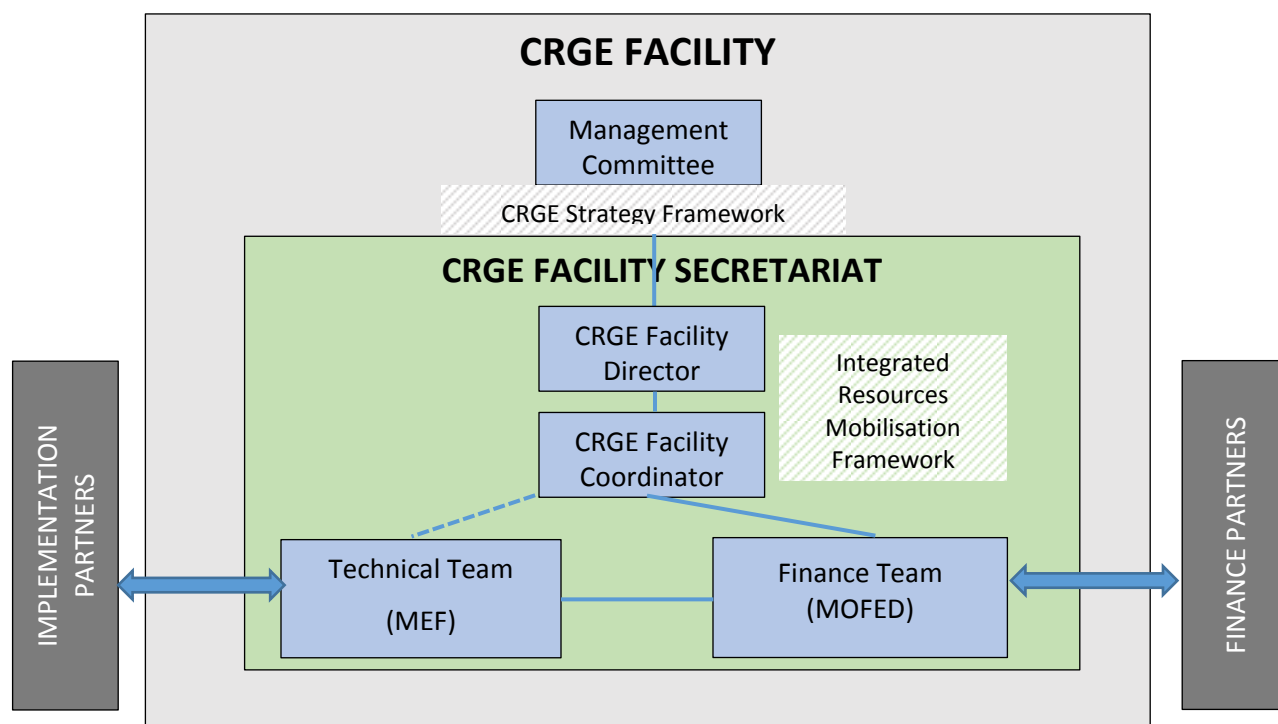
would be where funds are subject to the separate and incompatible rules and regulations of the provider of those funds.

The CRGE Facility will make catalytic investments with available funds that will be deployed strategically across the economy to leverage additional finance and thus help shift finance and investment toward priority CRGE investment areas, without necessarily seeking to manage the allocation and utilisation of such investments. Without becoming part of the CRGE Facility’s pooled fund, these investments would contribute to the achievement of the CRGE strategy.

### 3.2 CRGE Facility Organisational Structure and Tools

The design of the CRGE Facility builds on international best practice, and has been tailored to the unique circumstances and needs of Ethiopia, and its scope of work as outlined above. Its basic structure is illustrated in Figure 3.1.

Figure 3. 1 Basic Structure of the CRGE Facility



The CRGE Facility comprises two main components, **the Management Committee** and the **CRGE Secretariat** (the Secretariat). The Management Committee refers to the **CRGE Strategy Framework**<sup>7</sup> in order to determine the optimum allocation of available funds to approved actions. The CRGE Strategy Framework is developed and maintained by the Secretariat (Technical Team) and, in accordance with

<sup>7</sup> A copy of the CRGE Strategy Framework has been provided in Annex 3(1). More detailed information on the nature and utilisation of the CRGE Strategy Framework can be found in Part 4 of this Manual.

the priorities expressed in the current CRGE Strategy, defines at a high level the key themes of the strategy that finance will be required for. The Framework explicitly recognises that different sources of funding are available for actions for building CRGE, and ensures that that such sources can channel their funds as required.

Under the auspices of the Management Committee, the Secretariat is seated in MOFED and is responsible for the overall management and coordination of The Facility's portfolio. To ensure it can fully discharge its responsibilities the Secretariat comprises:

A **CRGE Facility Director** who is assigned by the State Minister for External Economic Cooperation of MOFED in consultation with the State Minister for Environment and Forest. The director reports to the Management Committee and is responsible for the day to day management of the Secretariat and efficient and effective operation of the Secretariat.

**CRGE Facility Coordinator**, who coordinates the Secretariat and ensures effective and efficient operations

A **Finance Team**, based in MOFED, provides administrative and analytical support necessary to the mobilisation, recording, allocation, management and oversight of pooled funds, ensuring that the CRGE Facility satisfies its fiduciary responsibilities to all Finance Partners; and provides project implementation advice. It also provides all administrative and analytical support necessary to receipt and recording of proposals, liaison with the CRGE Technical Team, provides the coordination and facilitation of the Management Committee meetings, and monitoring, evaluation and reporting of approved actions.

A **Technical Team**, led by MEF, provides technical support to the implementing entities to generate proposals and facilitates and leads the technical review of proposals. It is also responsible for the measurement, reporting and verification of emissions and vulnerability outcomes stemming from approved actions.

The number of staff appointed to the Secretariat will depend on the size of The Facility's portfolio and the resource mobilisation targets established by the Management Committee.

The Facility Secretariat is under the direct supervision and control of the **State Minister of External Economic Cooperation, working in close collaboration with the State Minister for Environment and Forest.**

The primary tool of the Secretariat's Finance Unit is the **Integrated Resources Mobilisation Framework (IRMF)**, which consolidates the different elements of CRGE funds mobilisation, allocation and management, as described in Figure 3.2.

### Figure 3. 2 Integrated Resources Mobilisation Framework (IRMF)

The IRMF is an essential tool that aims to:

Project the overall flows of funds required to meet the objectives set by the CRGE Strategy and the SRM, as encapsulated in the CRGE Strategy Framework;

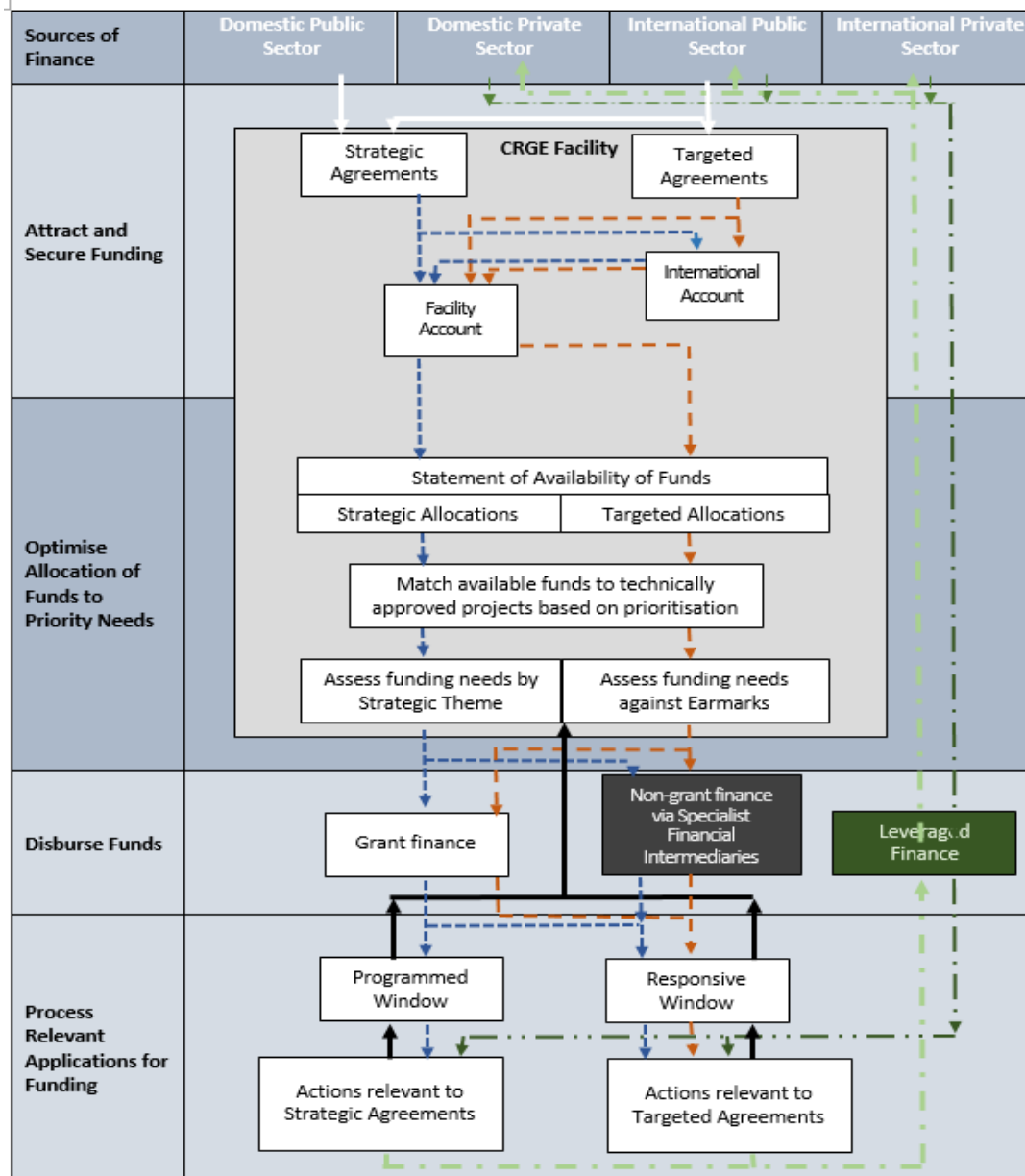
Summarise the current availability of secured funds, according to any conditions attached to their provision;

Identify specific funding gaps to be filled in order to meet the projected requirements of the SRM; and

Determine financing options to meet projected requirements over time.

The IRMF sits at the heart of the CRGE Facility’s operational model, illustrated in Figure 3.3 and designed to enable the effective mobilisation and allocation of resources in the interest of strategic programming.

Figure 3.3 The CRGE Facility Operational Model



Legend: flow of funds/proposals for funding

Type of Finance	Type of Funds Allocation	Target of Proposals
Pooled	Strategic	Facility
Leveraged	Targeted	Other funders



The key elements of this model are introduced below; each element corresponds to the model depicted in Figure 3.3 although, for the sake of clarity, the sequence in which they are presented has been changed. The specific policies and procedures that will be used to ensure the effective, efficient and transparent operation of each element are described in subsequent sections of this Manual.

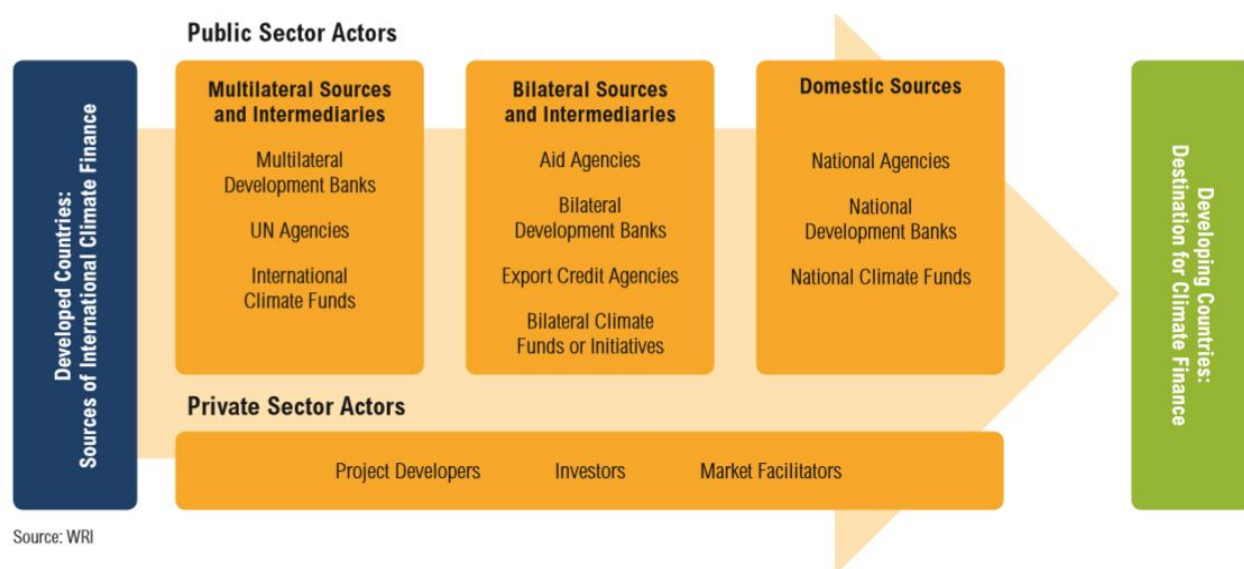
### **3.3 Attract and Secure Funding**

#### **3.3.1 The Challenge**

Implementation of the CRGE vision will require substantial resources and strategic and coordinated deployment. While it is globally recognised that additional financing is required to help countries prepare for and adapt to the effects of climate change, and deal with its effects, available funds stemming from the international community are uncertain, both in form and amount, and unlikely to be adequate to the scale of the challenge. Moreover, climate finance funds focused on cost effective emissions reductions may not be focused on or appropriate for LDCs such as Ethiopia. Indeed, Ethiopia's, and other LDC's, track record with the CDM suggest that these emissions specific mechanisms are not tailored to the needs and challenges of LDCs.

Moreover, the challenge is more than a relatively simple problem of capital generation. Some of the critical challenges in financing the transition toward a low-emission and climate-resilient society are to address existing policy, institutional, technological, behavioural and technical skill barriers. This is necessary not just to help redirect existing and planned capital flows from traditional high-carbon to low-emission, climate-resilient investments but to programme additional finance to prepare for and adapt to the impacts of climate change. Removal of these barriers can complement and maximise the impact of capital finance such as concessional loan finance and effectively deploy additional finance.

Figure 3.4 provides a simplified illustration of the current architecture of international climate finance and the actors within it. The real value of public finance rests in its ability to catalyse much larger scale private investment in low-emission climate-resilient development.

Figure 3. 4 Simplified Landscape of International Climate Finance and Relevant Actors<sup>8</sup>

Over the past few years, the international community has developed a number of regulatory and market-based instruments (MBIs<sup>9</sup>, such as export credits, green bonds, weather derivatives, and so forth) to shift investments from carbon intensive development to more climate compatible alternatives. It is anticipated that climate finance will increasingly shift from project-based approaches to ‘scaled-up’ approaches such as Nationally Appropriate Mitigation Actions (NAMAs)<sup>10</sup>, National Adaptation Plans (NAPs), programmatic Clean Development Mechanism (CDM), sectoral crediting, and cap-and-trade systems in both industrial and developing countries (on a voluntary basis).

### 3.3.2 The Facility’s Approach

The CRGE Facility has been established to help Ethiopia fully benefit from the different forms of finance currently and potentially available<sup>11</sup>, and to help mobilise and allocate finance in accordance with the prioritised needs defined by the CRGE strategy. As highlighted in Figure 3.4, sources of finance have been broadly distinguished by whether they come from ‘public’ or ‘private’ sources, and whether they are ‘domestic’ or ‘international’. The latter is relatively easy to understand, domestic sources being those that reside in Ethiopia, international in affect being all others. The distinction between public and private sources is far more complex and open to interpretation. In the context of the CRGE Facility, the distinctions described in Box 3.1 prevail. As illustrated by Figure 3.4, and reflecting the definitions in Box 3.1, pooled funding is expected to come from public sources, with private sources flowing directly to

<sup>8</sup> World Resources Institute, Working Paper, December 2012.

<sup>9</sup> Broadly MBIs can be categorised as fiscal-incentives (including direct subsidies), early market-development instruments, debt-based and equity-based instruments, and trading instruments.

<sup>10</sup> NAMA refers to voluntary emission reduction measures undertaken by developing countries that are reported by national governments to the UNFCCC. While none are yet in effect, they are expected to be the main vehicle for mitigation action in developing countries under a future climate change agreement, and can be policies, programmes or projects implemented at national, regional, or local levels.

<sup>11</sup> A summary of the types of finance that the CRGE might seek to attract to The Facility’s pool or otherwise leverage has been included in Annex 3(2).

strategically aligned and approved actions, thus being considered to have been ‘leveraged’ by the Facility.

It is extremely difficult to predict what volumes of funding the CRGE initiative will be able to access and mobilise. At this stage, identifiable sources include the following.

Domestic Sources:

Reflecting the importance of the CRGE initiative to Ethiopia’s plans, the Government has committed to contribute to The Facility on a continuous basis;

It is also expected that, over time, more substantial contributions will be made at Regional and Woreda level; and

Appropriate contributions from the domestic private sector will be sought and supported with appropriate policy instruments.

**Box 3.1: How the CRGE Facility Defines ‘Public’ and ‘Private’ Sources of Funds**

For the sake of simplicity, and given the capacity of The Facility, funds are distinguished principally in terms of whether the Finance Partner is seeking some form of commercial return or not. Accordingly:

- Public sources include all those that are available to The Facility free of any commercial return,
- Private sources seek commercial returns.

Thus The Facility is seeking to secure into its pool ‘public’ funds that can be deployed strategically to priorities and leverage other funds, such as those that are available on a commercial basis. The real value of public finance rests in its ability to catalyse much larger scale private investment in low-emission climate-resilient development. Based on this definition, ‘public’ funds could include, for example, grants from private foundations.

International Sources:

The Government of Ethiopia has established productive cooperative relationships with a range of bilateral and multilateral development agencies, many of which have been closely involved in the conception of various aspects of the CRGE initiative. Some of these agencies donate (predominately grant) financing that provides essential predictability to the resources available to The Facility, as well as creating a first tier of funding from which additional (and often less predictable) sources can be mobilised and blended; and

Looking beyond this first tier, The Facility intends to support the country in accessing sources of international climate finance.

### 3.3.3 The Facility's Accounts

Recognising the needs of the different targeted Finance Partners, and as the body responsible for fiduciary management and assurance, MOFED has established the following arrangements:

The **Facility Account** - a dedicated account for the CRGE Facility. Ideally, all funds would be channelled directly into the Facility Account.

The **International Account** – for various reasons the Government of Ethiopia recognises that, for the foreseeable future, some investors might be unable to invest directly into the Facility Account. Therefore, to ensure that the needs of all potential financiers can be accommodated, MOFED has contracted the **Multi-Partner Trust Fund (MPTF) Office**<sup>12</sup> of the United Nations Development Programme (UNDP) to establish and manage a separate 'International Account' that will be used to channel funds into The Facility. The role of the MPTF is referred to as **Administrative Agent**. In effect the International Account will act as a conduit to the Facility Account, as all funds will have to be disbursed through the Facility Account at MOFED prior to being disbursed to implementing partners.

Ultimately, the Government of Ethiopia intends that all Contributors to The Facility will be able to put funds directly into the Facility Account, and therefore the use of an Administrative Agent is considered to be an interim management arrangement, designed to promote and enable flexible, coordinated and predictable funding. The services of the Administrative Agent will be retained until it has been determined that the CRGE Facility has the capacity to independently fulfil all fiduciary management and assurance responsibilities, and that it will be possible to satisfy all existing and potential funders that this is the case. As Administrative Agent the MPTF Office, in partnership with UNDP's Country Office for Ethiopia, has agreed to provide critical capacity building assistance<sup>13</sup>.

### 3.3.4 Dealing with Conditionality of Funds

Given the intention of the CRGE Facility to support sector-wide programmes that respond to the CRGE strategy, all efforts will be made to secure financing that does not impose conditions on its use. However, it is recognised that this may not always be possible, and that some available conditional funding will still be extremely useful to The Facility. Therefore, in order to retain flexibility in securing desired funding, and reflecting the range of targeted Finance Partners, The Facility will operate as follows:

When the providers of finance either impose no conditions or require that funds be assigned to particular strategic themes defined in the CRGE Strategy Framework, The Facility will negotiate

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<sup>12</sup> The MPTF Office provides dedicated fund administration services to the UN system and national governments for facilities involving multiple contributors/partners. It currently has a portfolio of over 55 distinct Multi-Donor Trust Funds and 38 Joint Programmes. More information is available at <http://mptf.undp.org>.

<sup>13</sup> More details on the Memorandum of Understanding between MOFED and the MPTF Office have been provided in section 4 of this Manual.

agreements (referred to as ‘**Strategic Agreements**’) that define any amounts assigned to specific themes. In this way conditionality will not impair the ability to work strategically; and If the providers of finance insist on imposing earmarks that are more specific than the high level themes but that the purpose of which still fall within the Strategy Framework, The Facility will negotiate a tailored agreement (referred to as a ‘**Targeted Agreement**’) that defines the particular uses to which it has been agreed the funds may be applied.

Irrespective of whether agreements are ‘Strategic’ or ‘Targeted’, and as long as the services of the Administrative Agent have been retained, the providers of finance can opt to channel funds through the Facility or International Accounts, according to their preference.

### 3.4 Processing Approved Actions for Funding

Under the SRM, the Technical Team collaborate with the sector ministries at Federal Level to develop CRGE Sector Reduction Action Plans (SRAPs). SRAPs define the critical reduction objectives and the “what, where, when” priorities for the sector in question. SRAPs will also provide an enabling environment that supports the preparation of investment proposals with relevant Executing Entities<sup>14</sup> (EEs) that cost effectively respond to the priorities of the sector. The Facility funds can be accessed, without restriction, by all types of EEs in partnership with IEs.

The primary responsibility for coordinating the development of SRAPs and investment proposals that respond directly to needs identified in these SRAPs has been delegated to the sector ministries which fulfil the role of **Implementing Entities (IEs)**.

The Facility has responsibility to provide guidance and support to the IEs in their effort to prepare SRAPs. The Secretariat of the Facility will therefore work closely with the IEs and relevant **EEs** to ensure The Facility obtains an adequate volume and quality of funding proposals. This will be particularly important, given that the aim of the CRGE is that most part of the pooled funds are channelled to EEs, via IEs.

Proposals can be submitted by IEs to one of the following two Windows operated by the CRGE Facility:

The **Programmed Window**<sup>15</sup>, which provides funds subject to Strategic Agreements; and  
The **Responsive Window**, which provides the mechanism by which earmarked funds can be matched to relevant proposals.

By operating these two windows the CRGE Facility can ensure that all funds can be allocated and utilised on a strategic basis. Exactly the same rules and procedures will apply to both Windows. However, because the Responsive Window has been designed to accommodate disaggregated earmarking,

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<sup>14</sup> EE’s consist of non-state actors such as academic institutions, the private sector and civil society/NGOs. They also include government bodies and parastatals.

<sup>15</sup> In the CRGE Terms of Reference this was called the ‘Strategic Window’.

funding through Targeted Agreements can only be channelled through this Window to accomplish the pre-defined action/s. Generally the CRGE Facility will seek to secure as much funding as possible for channelling through the Programmed Window<sup>16</sup>.

### 3.5 Optimise Allocation of Funds to Priority Needs

The Integrated Resource Management Framework (IRMF) will be used to help match efforts to mobilise finance to projected requirements determined by the CRGE Strategy and the SRM, as encapsulated in the CRGE Strategy Framework. Thus the IRMF will on a real-time basis:

Summarise the current availability of secured funds, and any conditions and earmarks applied by Finance Partners; and  
Identify specific funding gaps to be filled in order to meet the projected requirements of approved programmes and projects.

The Facility will oversee and coordinate all fund mobilisation activities in order to satisfy both of these elements of projected financing requirements. The Facility's responsibility is to coordinate and enable all available expertise (including that within MEF and other organisations engaged in the design, execution and oversight of the SRM) to ensure the necessary funds are mobilised.

The Facility's Management Committee determines which of those actions that, following detailed technical and financial evaluation will receive funds from The Facility. These decisions are based on the degree to which individual actions fit current strategic priorities as well as the amounts of money that can be allocated from the pooled funds, given the conditions and earmarks that apply<sup>17</sup>.

To ensure that available funds can be strategically and appropriately allocated to competing demands, all applications submitted will go through a process of appraisal, award, contracting and supervision. Award of funds will be informed by the CRGE's current **Statement of Availability of Funds**, which will comprise the following two elements:

**Strategic Allocations** will record what amount of funding is available in relation to each of the themes included in the CRGE Strategy Framework; and

**Targeted Allocations** will record the terms of earmarks relating to these funds.

Given the receipt of applications of acceptable standards, The Facility will endeavour to match all available funds to appropriate utilisation. Reflecting this:

Appraisal of applications to the Programmed Window will include an assessment of what proportion of the total funding requested relates to each of the Strategic Themes. Final award of funds to

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<sup>16</sup> The intention is that at least 80% of total funds will be allocated through the Programmed Window (although ultimately this proportion will reflect the preferences of funders).

<sup>17</sup> The specific rules and procedures governing this decision making process are detailed in Part 4 of this Manual.

approved projects will ultimately depend on the availability of adequate funds under the relevant themes (that is, the utilisation of funds must be matched to their Strategic Allocations); Appraisal of applications to the Targeted Window will ensure that proposed utilisation is matched to the earmarks applied to the Targeted Allocations; and While all Targeted Allocations can only be channelled through the Responsive Window, The Facility may seek the agreement of funders to switch Strategic Allocations to the Responsive Window, should this enable more effective matching of funds to utilisation.

Given the nature of The Facility it is reasonable to expect that the majority of approved programmes will be implemented over, and require funding, for a period of three or more years. It is also highly likely that, at the time of initial approval, The Facility will not hold or have secured the commitment of all required funds. The Facility will therefore operate so that it can approve projects when it has funds available to cover at least the first 12 months of implementation. It may also do so when it can reasonably expect to mobilise the remaining funds as and when required.

### **3.6 Arrangements for Disbursing Funds**

The role of The Facility extends beyond just making pooled funds available to implementing partners in the form of grants. The aim of the CRGE initiative, as embodied in the SRM, is to ensure implementing partners have access to funds in appropriate forms as well as amounts. The Facility has therefore been configured so that it can offer a variety of financial instruments, potentially including guarantees, loans and equity. In the first instance, to ensure The Facility has the capacity to do this cost effectively and has necessary capabilities in risk management, non-grant financial instruments will be handled by Specialist Financial Intermediaries, which will be selected by the IEs in consultation with the Facility Secretariat<sup>18</sup>.

Public funds disbursed by the Facility should be used strategically to leverage and catalyse additional investment. SRAPs are developed by sectors to outline government priorities within the sector. Investments that respond to these priorities investment are generated, packaged and proposed to meet priority needs. SRAPs will specify their financing needs - broken down by source (public, private) and type (grant, guarantee, loan etc.). All mechanisms that are eligible for financing – such Clean Development Mechanism (CDM) or bank loans- should also be identified accordingly in the investment plan, even where those financing sources are not coming from the CRGE Facility.

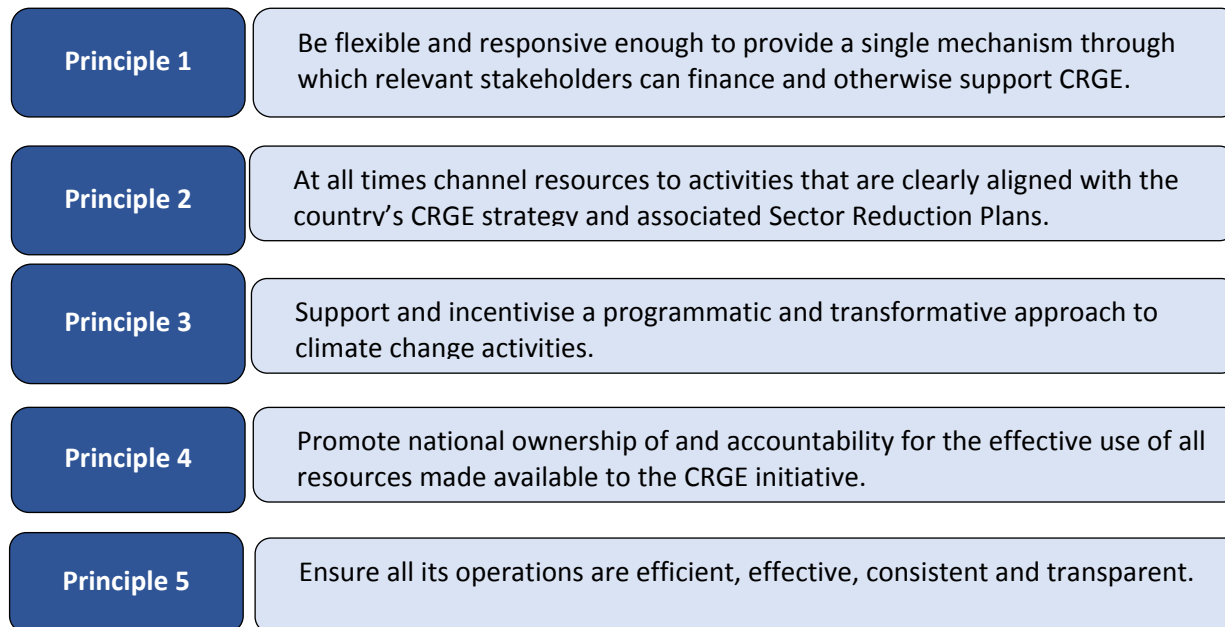
### **3.7 Management Policies of the Secretariat**

The principles described in Figure 3.5 will guide The Facility's operation and efforts to achieve its goals and objectives.

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<sup>18</sup> Details of arrangements with Specialist Financial Intermediaries that have been made or are under consideration have been provided in Annex 3(5).

**Figure 3. 5 The Principles that Guide the Operation of the CRGE Facility**



While these principles are in many ways mutually reinforcing, inevitably it may sometimes be difficult to simultaneously satisfy all of them. For example, national ownership of decisions creates limits to the influence of stakeholders; similarly the flexibility required to attract diverse sources of funds may sometimes challenge the desire to remain strategic and programmatic.

The Facility's governance mechanisms, described in more detail elsewhere in this Manual,<sup>19</sup> have been devised to ensure consistency and transparency, and protect the integrity of The Facility as well as the interests of its stakeholders.

### **3.8 Expected Lifetime of the CRGE Facility**

The CRGE Facility does not have a pre-determined closure date; it is expected to evolve, strengthen and mature with changing circumstances.

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<sup>19</sup> See section 4.



## **Section 4: Governance of The Facility**

### **4.1 Governance Arrangements**

#### **4.1.5 Key Principles**

The Facility's governance structure has been designed to:

- Ensure the Government of Ethiopia is the ultimate decision maker and fully accountable for the utilisation of funds made available to the CRGE through the CRGE Facility;
- Align with the existing policy decision-making structures for the CRGE initiative and broader Government planning processes;
- Ensure different parts of Government are properly integrated into the governance mechanisms; and
- Be transparent so that stakeholders can express concerns or opinions at appropriate points in decision making processes.

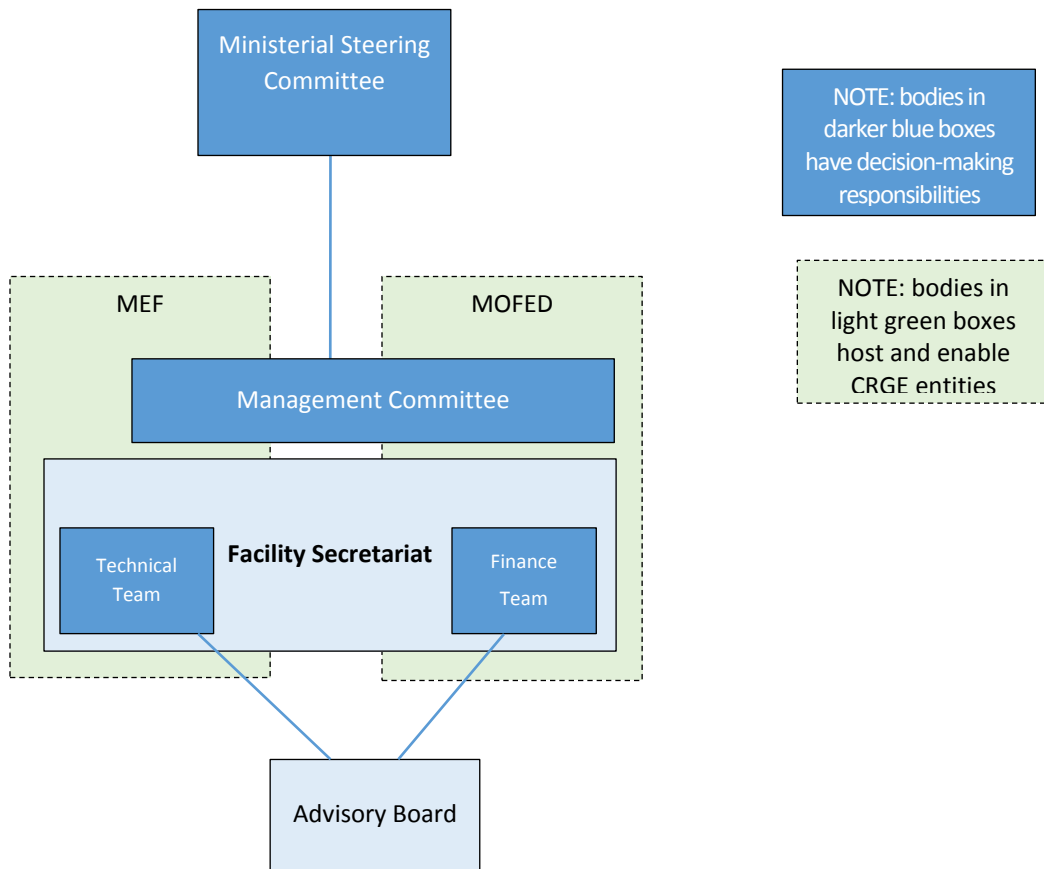
#### **4.1.6 Integration of Governance Functions**

At the outset the CRGE Initiative was led and overseen by the PMO, MEF, and MOFED. These three entities continue to fulfil the primary governance functions, their responsibilities broadly being organised as follows:

- As Chair of the Ministerial Steering Committee (MSC), the PMO provides overall guidance to the work conducted with respect to the CRGE, and facilitates high-level decision making that determines what is required of The Facility;
- The CRGE Facility Secretariat jointly reports to the State Minister for External Economic Cooperation, working closely with the State Minister for Environment and Forest;
- MEF and MOFED State Ministers jointly chair the Management Committee;
- MOFED is responsible for hosting The Facility and The Secretariat; and
- MEF houses the Technical Team.

The governance of the CRGE Facility is organised as follows (this is summarised in Figure 4.1). The Secretariat will perform the day-to-day work, enabling the CRGE Technical Team, the Finance Team and the Management Committee to perform their duties in an efficient and effective manner. To complete the governance arrangements, an Advisory Board will function to enable stakeholders to share and review information relevant to the performance of the CRGE and to influence as appropriate the resources available to it and the ways in which these are utilised.

Figure 4 1 CRGE Facility Governance Arrangements



#### 4.1.7 Relationship of the Parties

There are three bodies with the authority to make decisions on the business of The Facility (that is, the utilisation of funds for approved proposals).

1. The Ministerial Steering Committee has overall responsibility and authority for the CRGE Facility;
2. The Management Committee provides final approval and financing allocation; and
3. The Facility Secretariat (including the Technical and Finance Teams) reports to the Facility Director and manages the inputs and outputs of The Facility.

The Advisory Board provides expertise and opinion, while having no decision-making authority.

The specific responsibilities of the various bodies involved in CRGE governance are described below.

## 4.2 CRGE Governance Roles and Responsibilities

### 4.2.1 Roles and Responsibilities of the Ministerial Steering Committee

The Facility shall be governed by the CRGE Ministerial Steering Committee, which is chaired by the Prime Minister’s Office, and comprises one representative from each of the Ministries prioritised by the CRGE Strategy. The Steering Committee will be responsible for the following:

- Setting overall policy direction and guidance to ensure coherence and/or collaboration between The Facility and national programmes, maintaining close collaboration with national authorities to ensure flexible adaptation of the Facility activities to changes in national programmes;
- Setting the criteria and scope for approving SRAPs and investment proposals, and determine the overarching priorities for the CRGE Facility;
- Approving the annual overall programme and setting the operational direction of The Facility in order to ensure alignment with the CRGE Strategy and the GTP; and
- Facilitating coordination and coherence with other relevant climate change initiatives related to the UNFCCC, the UN Convention on Biological Diversity (CDB), the UN Convention to Combat Desertification (UNCCD), the UN Collaborative Programme on Reducing Emissions from Deforestation and Forest Degradation in Developing Countries (UN-REDD), the World Bank’s Forest Carbon Partnership Facility (FCPF) and Climate Investment Funds (CIF) and initiatives of other international and regional organisations and coalitions.

The rules governing the decision making of the Steering Committee are summarised in Figure 4.2.

**Figure 4. 2 Decision Making Mechanisms – Ministerial Steering Committee**

Nature of Meeting	Purpose	Timing	Rules of Meeting
Annual Review	Review progress to date; Identify improvement measures; Update Strategic Framework	Annual (May)	<ul style="list-style-type: none"> <li>• Quorum: 75% attendance</li> <li>• Decisions require support of at least 75% of attendees</li> </ul>
Interim Review	Review progress to date; assess allocation of funds against Strategic Framework	Annual (January)	<ul style="list-style-type: none"> <li>• Quorum: 75% attendance</li> <li>• Decisions require support of at least 75% of attendees</li> </ul>
Funding Allocations	To adjudicate when the Management Committee is unable to agree funding priorities	Up to twice per year (within three weeks of Management Committee Funding Approval	<ul style="list-style-type: none"> <li>• Quorum: 75% attendance</li> <li>• Decisions require support of at least 75% of attendees</li> </ul>

Nature of Meeting	Purpose	Timing	Rules of Meeting
		Meetings, as required)	
Emergency Meetings	To consider actions to be taken when strategic objectives are not being met or adequate funding is not being mobilised	As required	<ul style="list-style-type: none"> <li>• Quorum: 75% attendance</li> <li>• Decisions require support of at least 65% of attendees</li> </ul>

#### 4.2.2 Roles and Responsibilities of the CRGE Management Committee

MOFED and MEF will co-chair and supervise the activities of the CRGE Management Committee.

All sector ministries involved in the CRGE strategy will be represented both at state minister level and by high level technical support from the civil service (for example senior technical experts from the CRGE unit). Moreover, each Ministry will nominate an alternate to attend when the state minister and/or senior representative are unable to attend. To avoid conflict of interest, when SRAPs and sector specific proposals from a line ministry are being under discussion by the Management Committee, that specific sector will not be represented or have voting rights. Overall, the Management Committee will:

- Provide oversight of The Facility, in accordance with the CRGE Ministerial Committee guidance and decisions;
- Review and approve The Facility’s Annual Strategic Plan, which shall include the proposed budget framework and programme priorities. The Annual Strategic Plan shall be prepared by the Facility’s Secretariat in collaboration with MOFED and MEF;
- Review and make fund allocation decisions on all Facility activities appraised by the technical team within the CRGE facility secretariat parameters set for The Facility within the Strategic Framework of the CRGE;
- Review and approve the Annual Consolidated Reports submitted by IEs. The Annual Consolidated Report shall be based on the annual narrative and financial reports of The Facility’s programmes;
- Maintain oversight of financial management of The Facility;
- Ensure the implementation of an effective communication strategy; and
- Oversee effective monitoring and evaluation of all Facility activities to ensure fund-wide success and transparency, including receiving and approving the Annual Monitoring and Evaluation Report from The Facility’s Secretariat, including commissioning independent performance evaluations and ‘lessons learned’ exercises.

The Management Committee also determines the allocation of funds to proposals approved by the CRGE facility secretariat and comments provided by the Advisory Board.

The Management Committee operates under the following rules when determining the use of funds under the Facility Account and the International Account, respectively.

- When considering the **allocation of funds from the Facility Account**, which includes contributions from the Government of Ethiopia or from contributors depositing funding directly to the Facility Account, the Management Committee will include relevant line ministries, as appropriate. Up to two representatives of the primary donors/investors to the Facility and the UN Resident Coordinator for Ethiopia can be represented as observers on the MC. The MC is responsible for prioritising the investment plans approved by the CRGE Facility Secretariat (both technical and financial teams) and allocating funds from Strategic and Targeted Allocations in the Facility Account to approved proposals
- For **allocations required from the International Account**, the Management Committee will meet in the following configuration: it will include representatives of relevant line ministries. Up to two representatives of primary donors/investors of the Facility and the UN Resident Coordinator for Ethiopia can be represented as observers. A representative of the Administrative Agent will participate in such meetings in the ex-officio capacity. The donor representatives will be appointed on an annual rotation basis. Funding decisions in this configuration of the Management Committee will be taken on a consensus basis by formal members.
- For any approved funding from the International Account, the Management Committee will authorise the release of funds for approved CRGE activities to the CRGE Facility Account within MOFED.

The rules governing the decision making of the Management Committee are summarised in Figure 4.3.

**Figure 4. 3 Decision Making Mechanisms – Management Committee**

Nature of Meeting	Purpose	Timing	Rules of Meeting
Annual Review	Review progress to date; Consider implications of updated Strategic Framework for funds mobilisation; Identify improvement measures	Annual (May)	<ul style="list-style-type: none"> <li>• Quorum: 90% attendance</li> <li>• Decisions require support of at least 75% of attendees</li> </ul>
Interim Review	Review progress to date; assess allocation of funds against Strategic Framework	Annual (January)	<ul style="list-style-type: none"> <li>• Quorum: 75% attendance</li> <li>• Decisions require support of at least 75% of attendees</li> </ul>
Funding Approvals	Prioritise and manage allocation of funds to proposals approved by Technical Committee	Twice per year (March and September)	<ul style="list-style-type: none"> <li>• Quorum: 100% attendance</li> <li>• Decisions require support of at least 75% of attendees</li> </ul>

Nature of Meeting	Purpose	Timing	Rules of Meeting
Ad-Hoc	To consider actions to be taken when SRAPs are developed in the first two year of Facility Operation.	As required	<ul style="list-style-type: none"> <li>• Quorum: 75% attendance</li> <li>• Decisions require support of at least 65% of attendees</li> </ul>

### 4.2.3 Roles and Responsibilities of the CRGE Facility Secretariat

The Secretariat is hosted by MOFED, and will, in close coordination with MEF, support The Facility’s Management Committee, in order to ensure the functions of The Facility are fully discharged and that all stakeholders are engaged in a coherent way.

The CRGE Facility Secretariat will be under the direct supervision and control of the State Minister of External Economic Cooperation of MOFED, regularly consulting and collaborating with the State Minister for Environment and Forest. The Director of the Facility is assigned, by the State Minister of External Economic Cooperation (MOFED) in consultation with the State Minister for Environment and Forest (MEF).

The Secretariat will be responsible for the overall coordination of The Facility’s portfolio. At all times the Secretariat will operate in an objective and facilitative way, complying with the wishes and instructions of the Ministerial Steering Committee, the approved decisions of the Management Committee, and the day-to-day guidance of the Director and Coordinator of The Facility. Within the Secretariat there are two units.

#### 1. The Technical Team (housed within MEF )

The MEF will house and supervise the activities of the Technical Team. It will include representatives of the National Planning Commission (NPC) to ensure alignment with the GTP, and additional expert members will be mobilised, drawn from relevant line ministries and other bodies. The Technical Team, while under the responsibility and supervision of MEF, reports to the director of the CRGE Facility.

The Technical Team will develop guidelines for both IE’s and EEs for the development of SRAPs. The Technical Team will ensure that these are consulted and agreed with key stakeholders. The Technical Team will ensure that these guidelines clearly communicate all Facility requirements and expectations, to ensure strong SRAPs are developed and implemented. The guidelines issued to implementing and executing entities will explicitly set out the Facility’s requirements for transparent and fair beneficiary selection process and practice. The guidelines will also set out safeguards requirements, with guidance on how to meet those standards, and how to access additional support for the implementation and monitoring of safeguards where capacity is limited.

Once SRAPs are submitted to the Facility, the Technical Team then assesses and prioritizes proposed investments. It appraises SRAPs against both technical criteria related to the environment and climate

change (that includes resilience, emissions and green growth) and wider development criteria (in particular alignment with the GTP, poverty reduction and social inclusion issues including gender), as well as the degree to which they provide safeguards against undesirable social and environmental impact.

Where finance is mobilised or leveraged outside of The CRGE Facility fund management structures, the CRGE Technical Team will also help ensure that implementation arrangements are compatible with international MRV requirements when requested. The Technical Team shall also provide professional views when needed to support external communication by the Facility Management Committee Chair. Development partners, based on their technical speciality and competency, may be requested to provide support and/or be represented in the Technical Team where deemed relevant.

The Technical Team shall also provide professional views when needed, including to support the preparation of external communications, as well as other contributions requested by the Chair of the Management Committee.

## 2. The Finance Unit

MOFED will house and directly supervise the activities of the Finance Team within the CRGE Facility Secretariat. It will include dedicated specialists, recruited or assigned to the team, and additional expert members drawn from relevant bodies as appropriate. Development partners, based on their technical speciality and competency, may be requested to provide additional support (including seconded staff) in the Finance Team. The Technical Team, whilst under the responsibility and supervision of MOFED, reports to the Facility Director.

The Finance Unit has the following functions:

- Develop and oversee the monitoring and evaluation strategy and framework for the Facility and its programmes (this will include a results framework and may include independent reviews or evaluations of the Facility and its portfolio where relevant);
- Develop the Integrated Resource Mobilisation Strategy;
- Provide liaison and coordination between The Facility's Management Committee, MOFED, MEF and the Advisory Board, and provide support to the Management Committee, including support to the Committee's meetings, and compilation and consolidation of financial reports for MOFED;
- Familiarise and provide support to IEs and EE's on standard protocols for SRAP preparation, submission procedures and implementation mechanisms;
- Take part in the appraisal process as deemed necessary;
- Compile narrative and financial/progress reports of Facility-funded activities implemented by Implementing Entities;
- Follow-up on the implementation of the decisions of and report back to the Management Committee as required;
- Facilitate fund release and account auditing; and
- Provide technical support to IEs.

#### 4.2.4 Roles and Responsibilities of MOFED

MOFED is responsible and accountable for hosting and making operational the CRGE Facility. In this regard the overall functions of MOFED are as follows:

- Making operational a Facility that performs the effective promotion, financing, implementation and monitoring and evaluation of actions that meet the objectives of the CRGE strategy;
- Full programmatic and financial accountability, on behalf of the Government, for implemented actions;
- Promoting and enabling Government-wide participation, coordination and coherence in the functioning of The Facility;
- Ensuring that all investment proposals have been cleared by the technical team are relevant to the Facility's priorities in accordance with Ethiopia's CRGE Strategy and GTP, and that all development criteria and safeguards have been met;
- Releasing funds from the CRGE Facility Account to line ministries and regions pursuant to the decision of the Management Committee and in compliance with the National Regulatory Framework;
- Ensuring that funds disbursed to implementation partners, as approved by the Management Committee, shall not be co-mingled and are released in a timely manner;
- Liaising with other relevant line ministries, regions, development partners, and other key stakeholders to ensure timely implementation and satisfactory achievement of approved actions;
- Signing and administering agreements directly with contributors to the CRGE Facility's National Account;
- Signing and administering the agreement with the Administrative Agent of the CRGE Facility's International Account;
- Signing and administering Emissions Purchase Agreements or other forms of contractual obligations with the Facility;
- Establishing a separate ledger account under its financial regulations and rules for the receipt and administration of the funds disbursed to it directly, or by the Administrative Agent from the International Account, to the CRGE Facility Account;
- Full financial and programmatic accountability for the funds released by the Administrative Agent to implementing partners through the Facility Account;
- Reaching an agreement with each selected Implementing Partner setting out the terms and conditions regarding receipt of funds from The Facility;
- Instructing the Administrative Agent to disburse the approved amount to the CRGE Facility Account within MOFED;
- Ensuring that, where a Implementing Partner wishes to carry out its activities through or in collaboration with third parties, it will be responsible for discharging all commitments and obligations with such third parties;



- Ensuring The Facility’s monitoring and evaluation programme complies with Federal policy and regulations and is able to provide detailed and appropriate understanding of the results achieved by approved actions; and
- Advising the Administrative Agent in writing when all the activities for which the Implementing Partners are responsible under the respective approved programmatic document have been completed.

In particular MOFED ensures transparency, objectivity, consistency, and professionalism in The Facility’s financial and programme management, and that such operations are always in compliance with the formal agreements negotiated with funding and implementation partners. The Treasury and UN Agencies and Regional Economic Cooperation Directorates of MOFED in particular will be responsible for the proper functioning of coordination and financial management undertaken by the CRGE Facility. The Facility will also receive support from other directorates as deemed necessary.

#### 4.2.5 Roles and Responsibilities of the MEF

MEF supervises and regulates implementation of the technical components of the CRGE initiative, which in turn inform the work of The Facility. It maintains close links with all relevant ministries, including by supporting CRGE units within those ministries and other relevant sectoral agencies that do not already have them. Specifically, MEF is responsible for:

- Hosting the Technical Team;
- Assisting with the organisation and conduct of objective measurement, review and verification activities required by The Facility;
- Developing guidelines, procedures and templates, including:
  - i. The CRGE Strategy Framework stating priorities and estimated funding requirements,
  - ii. Guidelines to aid preparation of SRAPs and access to financial support, and
  - iii. Developing matrices that set the parameters for approving and prioritising investment proposals, including proposal review and appraisal criteria;
- Developing procedures for the review of the CRGE as well as providing relevant methodological guidance on determining geographical and sectoral boundaries, on setting baselines for the quantification of reward , and on GHG emissions and vulnerability;
- Establishing a national CRGE MRV system for emissions and vulnerability results including i) Developing templates and guidance for monitoring results, ii) facilitating objective verification of results, and iii) for reporting of results to the Facility and the CRGE Registry;
- Facilitating capacity building on the specific requirements of MRV and climate financing schemes, modalities, etc.;
- Where relevant, convening independent technical panels to review and appraise SRAPs and proposals submitted by IE’s and EE’s respectively; and
- Building the capacity of IEs to document/register on-going and/or future reduction actions.

#### 4.2.6 Roles and Responsibilities of the Advisory Board

The Advisory Board will consist of development partners (including those capitalising each of The Facility’s Windows), representatives of relevant multilateral organisations, international NGOs and civil society, the private sector and academia. The AB will be hosted and chaired by development partners, on an annual rotational basis.

The Advisory Board will review SRAPs and provide comments and suggestions to both the CRGE Task Force and Management Committees. However, the Advisory Board is not part of the decision-making process, except as donor representatives on the Management Committee with regards to approval of funds from the International Account.

The rules governing the decision making of the Advisory Board are summarised in Figure 4.4.

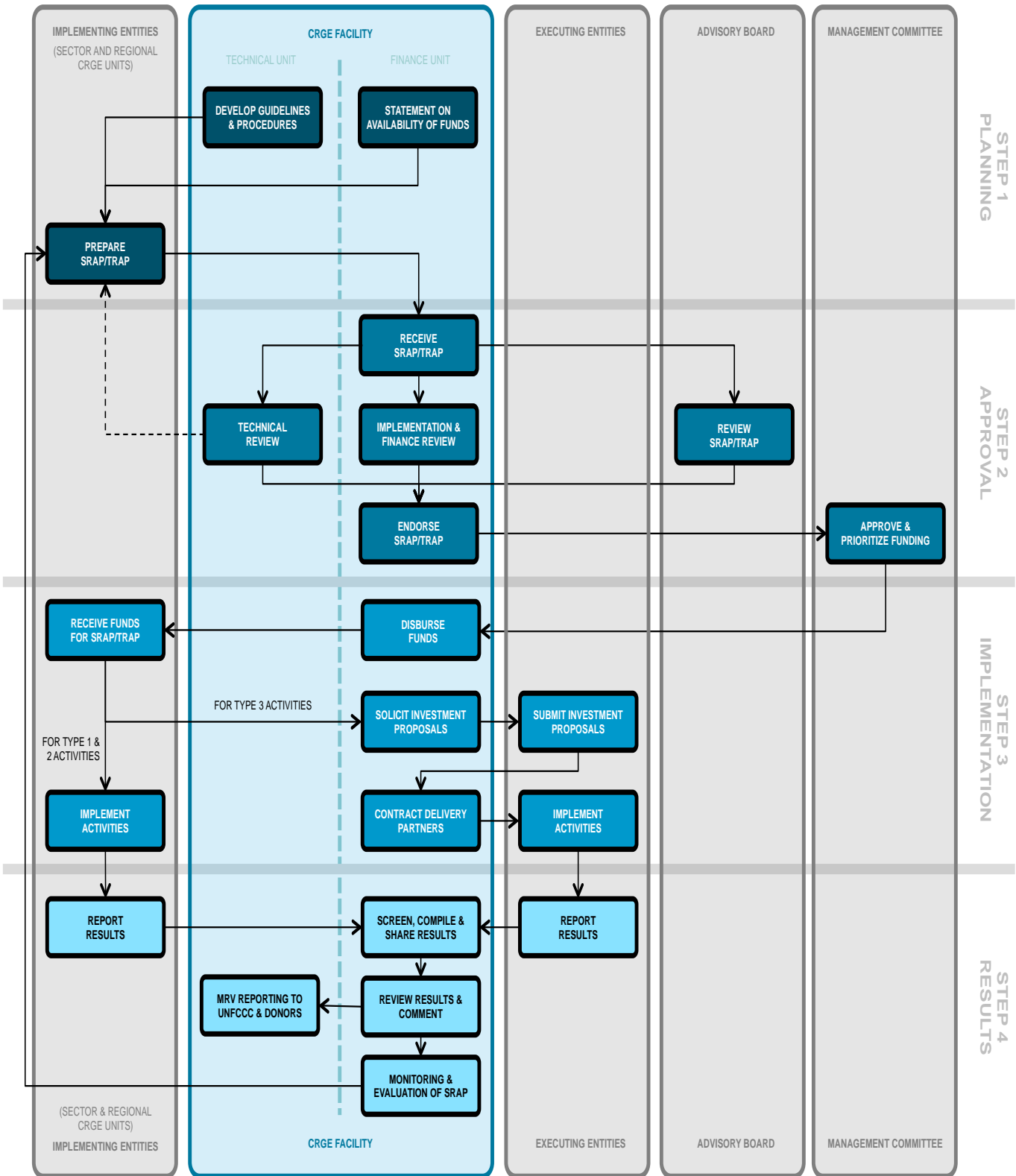
**Figure 4. 4 Decision Making Mechanisms – Advisory Board**

Nature of Meeting	Purpose	Timing	Rules of Meeting
Annual Review	Review progress to date; Consider implications for channelling of funds; Identify improvement measures	Annual (May)	<ul style="list-style-type: none"> <li>• Quorum: 70% attendance</li> <li>• Decisions require support of at least 75% of attendees</li> </ul>
Interim Review	Review progress to date; assess allocation of funds against Strategic Framework	Annual (January)	<ul style="list-style-type: none"> <li>• Quorum: 70% attendance</li> <li>• Decisions require support of at least 65% of attendees</li> </ul>
Funding Reviews	Review and comment on technical appraisals and funding allocations approved by The Facility	Twice per year (February and August)	<ul style="list-style-type: none"> <li>• Quorum: 70% attendance</li> <li>• Decisions require support of at least 65% of attendees</li> </ul>
Ad-hoc Meetings	To consider any requests in the early stages of the Facility as SRAPs are developed	As required	<ul style="list-style-type: none"> <li>• Quorum: 75% attendance</li> <li>• Decisions require support of at least 75% of attendees</li> </ul>

### 4.3 Rules and Decision Making Mechanisms

Reflecting the roles and responsibilities described in section 4.2, the CRGE Facility’s flow of activities and decision-making is illustrated in Figure 4.5.

Figure 4. 5 CRGE Facility Work Flow



## **4.4 Risk Management Policies**

The Facility is potentially subject to the following types of risk:

- Operational Risk –the failure to deliver timely and quality results, or the breach of environmental or social safeguards during implementation;
- Fiduciary Risk – where funds allocated to The Facility are not used in accordance with terms of agreements, and/or are not properly accounted for and/or are otherwise misappropriated;
- Strategic Risk – where the circumstances impacting The Facility impair its ability to achieve its goals and objectives.
- Reputational Risk – if Facility fails to mobilise substantial finance; if safeguards are breached; if funds are not properly accounted for and/or are otherwise misappropriated.

The Management Committee is responsible for identifying the particular risks that The Facility needs to manage, and for ensuring that ways of controlling and dealing with risk are formally developed and implemented. A copy of the current risk management framework for the CRGE Facility is included in the Annexes<sup>20</sup>.

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<sup>20</sup> See Annex 4(1).

## Section 5: Implementation Arrangements

### 5.1 Enabling Programme Implementation

Outside of the overall Facility governance mechanisms, a range of entities support the process of planning and implementing the programmes required to achieve the aims of the CRGE Strategy.

#### 5.1.8 The Implementing Entities (IEs)

Implementing Entities (IEs) are Federal (FIEs i.e. line ministries) and Regional governments (RIEs i.e. Sector Bureaus). Federal Implementing entities are the interface with the Facility in that they are the only entities that submit SRAPs, receive funds and report results.

At the federal level, these entities include The Ministry of Agriculture, The Ministry of Water and Energy, The Ministry of Industry, The Ministry of Trade, The Ministry of Transport, The Ministry of Health, and The Ministry of Urban Development and Construction as well as other relevant ministries and authorities (for example the Basin Authorities).

The role of **Federal IE's** is to coordinate the preparation of Sector Reduction Action Plans, medium term national level plans that outline priorities and investments at the regional level. FIE's ensure that SRAPs are prepared based on the SRM, meet standards and rules of the CRGE Facility as per this Manual and further guidance, and are fully aligned with GTP priorities. They will ensure transparent, fair process for the selection of beneficiaries and allocation of resources.

FIEs directly access the Facility funds, based on approved SRAPs, and release these funds to RIEs, Specialist Financial Intermediaries and EE's according to the approved plans and the demands of the programmes to be implemented.

**Regional IE's** are sector Bureaus, such as the Bureau of Water, Irrigation and Energy. RIEs are responsible for:

1. Preparing regional inputs to national SRAPs;
2. Coordinating the preparation of proposals that respond to SRAP priorities and meet the standards and rules of the CRGE Facility as per this Manual and further guidance;
3. Agreeing and signing implementation agreements with EE's for approved investment proposals;
4. Preparing quarterly progress reports (financial and narrative activity) and submitting these to relevant FIEs, copying BEF and BoFED;
5. Preparing Annual progress reports (financial and narrative activity) and submitting these to relevant FIEs, copying BEF and BoFED;
6. Supervising implementation of plans by EEs and providing support as necessary;
7. Receiving resources from respective FIEs to implement plans and provide/disburse funds to EEs as appropriate; and

8. Opening bank accounts for projects directly supported from the CRGE Facility funds, with subsidiary ledgers delineated by donor contribution.

### **5.1.9 Executing Entities**

Executing Entities do the bulk of actual implementation of work supported by the CRGE Facility. They include non-state actors, such as the private sector, small and micro enterprises, parastals, academic institutions and NGOs.

There are no restrictions on EEs, other than meeting the standards and rules of the CRGE Facility as described in this Manual and further guidance from the Facility. This will include due-diligence and the satisfaction of minimum criteria, for example on accounting standards and ability to account for funds.

The aim of the CRGE Facility is to stimulate widespread participation in actions that will help achieve the goals of the CRGE Strategy. The Facility intends that, eventually, significant (90%) Facility financing will flow to EEs for implementation of CRGE activities.

All types of EEs have access to Facility funds, but the application for funds is channelled through IEs, who are the only interface with the Facility. EEs must work collaboratively with IEs to plan and implement activities.

Qualified organisations, particularly UN Organisations and Multilateral Development Banks, may be requested by the Government to provide capacity development and selected implementation services that respond to priorities as deemed appropriate. In such cases, UN Organisations or MDBs would assume full programmatic and financial accountability and would carry out the approved activities in accordance with their own applicable regulations, rules, policies and procedures, including related to audit and procurement.

### **5.1.10 Role of IEs in planning and implementation**

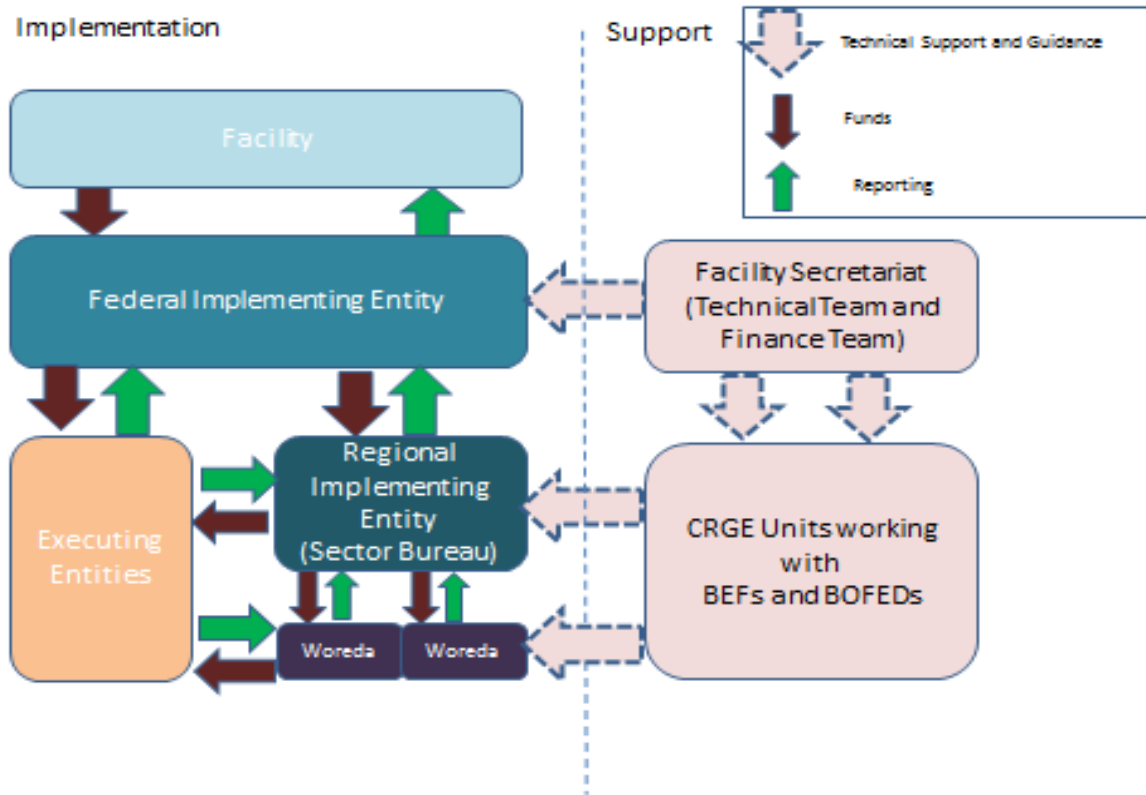
Under the SRM there are three broad phases:

1. Sectoral planning. The “What, Where, When priorities” of the CRGE at the sector level;
2. Investment Planning that responds to priority needs set out in long term plans ; and
3. Implementation of financed/supported investments.

The SRM is structured along sector lines, as opposed to a regionally or geographically: planning and implementation is done at the sector level. It is the responsibility of Federal ministries to coordinate sector planning in all regions, consolidate plans to submit to the Facility. Regions must plan at the sector level, and where relevant with EEs and submit plans to Federal IE’s. Finance flows from the Facility to Federal IEs and down through sector budgeting channels to regions for implementation. Likewise,

information and reporting follow a similar flow in reverse. Regions report at the sector level to Federal IEs; Federal IEs consolidate reports and submit to the Facility.

Figure 5. 1 CRGE funding/reporting flows and support structure



The flow of funds and reporting is outlined in Figure 5.1 above. The Facility interacts with FIEs. FIEs are responsible for coordinating regional activities and the activities of EEs. Support is provided to FIEs by the Facility and also to regional CRGE units.

The role of IE’s and EE’s across each phase of the SRM process is described below.

**Phase 1: Long Term Strategic Planning**

LTSPs identify the “what, where and when” priorities in the sector. Development of the national plans (LTSPs) is led by Federal IEs. These are then sent to the Facility and evaluated by the Technical and Finance teams.

Table 2 - LTSP development

Federal IEs	Regional IEs	Finance Team	Technical Team	EEs
<ul style="list-style-type: none"> <li>▪ Development of SRAPs at the national/federal level</li> <li>▪ Coordinating with regional sector bureaus to gather inputs</li> <li>▪ Combining regional level actions in sectors into one coherent and consistent plan</li> <li>▪ Providing strategic guidance and leading the preparation of analysis/plans for their respective sectors at all levels, in close consultation and collaboration with their regional counterparts</li> <li>▪ Ensuring that there is no duplication within regional implementing entities</li> <li>▪ Aligning SRAPs to the GTP</li> </ul>	<ul style="list-style-type: none"> <li>▪ Regional planning</li> <li>▪ Inputting into SRAPs</li> <li>▪ Review and validation of SRAPs</li> </ul>	<p>Supporting IEs with respect to:</p> <ul style="list-style-type: none"> <li>▪ Financial management</li> <li>▪ Monitoring and Evaluation</li> <li>▪ Alignment with GTP at regional level</li> <li>▪ Reporting requirements</li> <li>▪ Financial review of SRAPs</li> </ul>	<p>Supporting IEs with respect to:</p> <ul style="list-style-type: none"> <li>▪ Provision of guidance</li> <li>▪ Technical support on SRAPs (baselines, targets)</li> <li>▪ Technical MRV support</li> <li>▪ Screening/technical review of SRAPs</li> </ul>	<p>Providing inputs into SRAPs when invited</p>

**Phase 2: Investment Plan Development**

Relevant EEs are invited to develop input into plans and develop investments plans/proposals for delivery. For example, the Energy SRAP may identify off-grid electrification from hybrid mini-grids in all regions as a priority. Relevant EE such as private sector providers of grids working with NGO’s that can manage community installation and maintenance of grids, are then invited to input into the SRAP and to submit proposals for delivery.



Regional, sector specific investment plans, will aggregate Woreda proposals, including performance-based reward system to incentivise community-level action where relevant.

**Table 3 - Investment Plan development**

Federal IEs	Regional IEs	BoFED	BEF	EEs
<p>Assigning dedicated staff whose core function is to facilitate the implementation of the programmes and projects in their respective sectors and in all regions</p> <p>Preparing consolidated investment proposals (from regional and federal inputs)</p> <p>Submitting Investments to the CRGE Facility for review, appraisal and financing</p> <p>Delivery of activities and achievement of results indicated in their respective investments</p>	<p>Development of investment proposals in line with guidance and the SRAP priorities</p> <p>Coordinating with EEs to develop cost effective Investment proposals that meet priority needs</p> <p>Submitting their investments initially to the BEF and then to the relevant Federal IEs</p>	<p>Supporting sector/regional planners with respect to:</p> <ul style="list-style-type: none"> <li>Financial management</li> <li>Monitoring and Evaluation</li> <li>Alignment with GTP at regional level</li> <li>Reporting requirements</li> </ul>	<p>Supporting sector/regional planners</p> <p>Technical support on plans</p> <p>Technical MRV</p> <p>Preliminary screening/review of draft plans</p>	<p>Coordinating with IEs to develop cost effective Investment proposals that meet priority needs</p>

IEs at the Federal and Regional level should therefore provide strong leadership and demonstrate commitment to formulate robust SRAPs, including bankable investment proposals. IEs therefore must:

- Assign adequate numbers of trained experts to take charge of tasks in the preparation and implementation of reduction actions. Support may be provided from the CRGE Facility.; and
- Have an institutional structure in place at the regional level that enables effective implementation and has clear demarcation of responsibilities.

**Phase 3: Implementation**

Once proposals have been approved by the Facility, finance is released and implementation begins, in line with the plans submitted.

Table 4 – Implementation and Delivery

Federal IEs	Regional IEs	BoFED	BEF	EEs
Request MOFED to release the approved funds from the CRGE Facility to their account for activities to be carried out at regional level	Implementing programmes and projects in partnership with Executing Entities	Follow up, monitor and evaluate the implementation of plans at Regional and Woreda level	Technical support on plans and implementation	Implementing, or facilitating the implementation of activities as indicated on the project proposals, to ensure the delivery of required results
Release funds to regional sector bureaus for implementation, copying BOFED	Monitoring and following up the day-to-day implementation of their programs and projects at all levels in the regions	Coordinate and facilitate the auditing of programmes as requested by MOFED	Technical MRV support to EEs and RIEs	Delivery of activities and achievement of results indicated in their respective project proposals
Follow up, monitor and evaluate the implementation of plans at Regional/Federal level	Send periodic financial and substantive reports to line ministries		Preliminary screening/review of draft plans	Monitoring and following up the day-to-day implementation of their project proposals at all levels in the regions
Prepare/compile sectoral annual progress reports on the implementation of the CRGE activities and submit to CRGE Facility not later than 30 days after the completion of the fiscal year			Follow up and monitor the implementation of plans at the region/woreda level	
Preparing consolidated progress and finance reports (from regional and federal inputs)			In collaboration with BOFED, hold quarterly review meetings of CRGE investments	
Preparing quarterly financial reports as well as narrative activity reports for activities to be implemented at regional level by Sector Bureaus and submitting these to the CRGE Facility within 10 days after the end of the quarter				
Prepare quarterly financial and narrative reports for the CRGE activities carried out at federal, regional and Woreda levels, and submit these to MOFED not later than 15 days after the end of the quarter				

Both Federal and Regional level IEs will establish and maintain a separate account for the receipt and administration of the funds disbursed to them from the CRGE Facility. This separate ledger account should be administered by each federal or regional entity in accordance with the National Regulatory

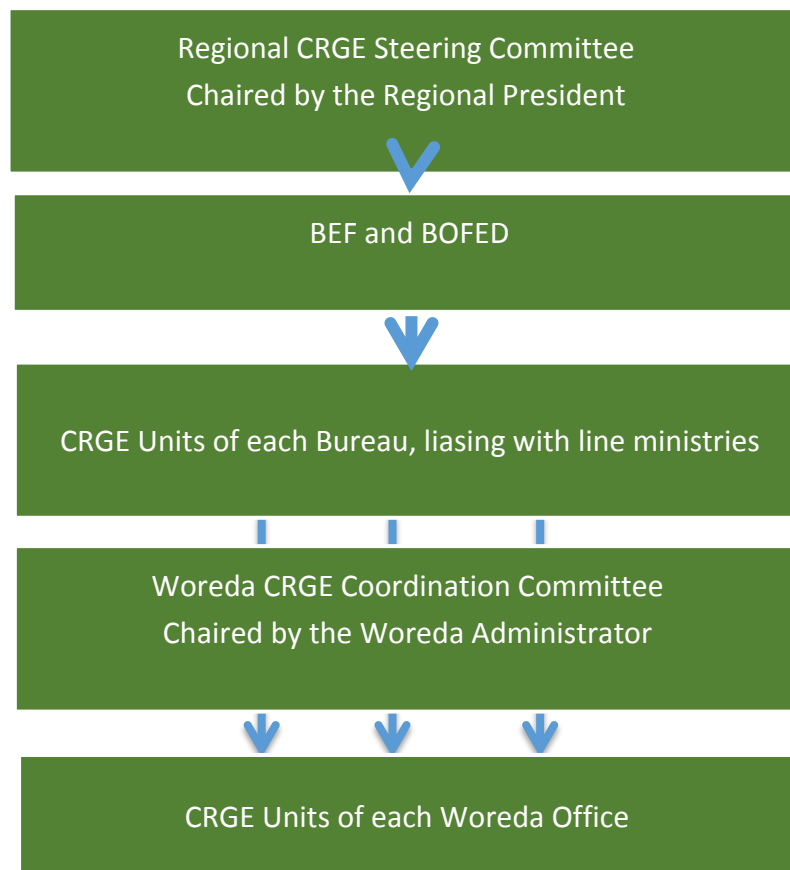
Framework. The separate ledger account will be subject exclusively to the internal and external auditing procedures set forth in the National Regulatory Framework. The Implementing entities are responsible for managing funds sent to them from the CRGE Facility Account.

#### 5.1.11 Regional Allocation of Responsibilities

While varying, each region in Ethiopia has a CRGE unit and regional Bureaus of Environment and Forest (BEF) and Bureaus of Finance and Economic Development (BOFED). These institutions are core at the regional level for the implementation of the CRGE. The CRGE Unit is capacitated and mandated to coordinate the SRM process at the regional level, supported by BEF and BOFED and under the supervision of a steering committee chaired by the regional president.

The allocation of tasks and responsibilities reflects the CRGE structure at regional level illustrated in Figure 5.2

Figure 5. 2 CRGE Structure at Regional Level



#### **5.1.12 Regional Environment and Forest Bureaus (BEF)**

In collaboration with BOFED, the BEF will conduct preliminary screening and review of SRAPs prepared by the regional sector bureaus before sending to the Federal Implementing Entities.

Further to their designated roles and responsibilities, they will also provide technical assistance to the regional Implementing Entities in the areas of Measurement, Reporting and Verification (MRV) for emissions and vulnerability outcomes, baseline computation, and other similar specialist areas. They will follow up the implementation of CRGE Facility Supported actions in their regions. Specifically, they are responsible for:

- Coordinating and supporting SRAPs in the region;
- Coordinating and supporting RIEs in developing investment plans with EEs in the region;
- Coordinating, monitoring and supervising woreda level CRGE implementation by RIEs and EEs;
- Coordinating independent evaluation and verification of results by accredited agents and facilitating and supporting measurement, review and verification of CRGE projects;
- Developing regional procedures for the review of financed CRGE programmes and supporting with methodological guidance;
- Coordinating CRGE related activities in the region, including providing technical and advisory support to RIEs;
- In collaboration with BOFED, organising quarterly review meetings on the implementation of CRGE programs/projects in the region; and
- Facilitating regional/Woreda level monitoring and evaluation programme (including field visits) on projects.

#### **5.1.13 Bureaus of Finance and Economic Development (BOFED)**

Regional Finance and Economic Development Bureaus are entities that are mandated by the regional council to coordinate and manage development activities of each region and accordingly are responsible for allocating resources to Woreda, coordinating the preparation of sectoral plans, preparing and compiling development performance reports of a region, and monitoring and evaluating the performances of sector institutions. Within the context of these broad responsibilities given by the regional council, the regional Bureaus will be responsible for the overall coordination, planning, physical and financial monitoring and evaluation of programmes and projects supported by the CRGE Facility. Additionally, they will support implementation by:

- In collaboration with the FIEs and RIEs, monitor the identification and selection of EEs to input into SRAP development and Investment Planning;
- Assisting and coordinating the preparation of SRAPs and Sectoral project proposals for the region;

- Following up on the implementation progress for each sector investments and projects;
- Holding quarterly review meetings for all sector programmes assisted by The Facility in the region and conducting monthly follow up meetings focusing on issues;
- Organising a regional monitoring and evaluation programme of EEs (including field visits) and experience sharing on selected projects in collaboration with other key stakeholders to ensure satisfactory implementation of portfolios leading to the desired results; and
- Facilitating account auditing.

At local level, the Zonal Finance and Economic Departments (ZOFED) and Woreda Finance and Economic Development Offices (WOFED) will be responsible for regular monitoring and supervision of implementation of activities supported by the CRGE Facility. In particular, the CRGE units of each woreda will:

- Plan and in some cases implement CRGE initiatives; and
- Report on CRGE implementation.

## **5.2 Contributing Finance and Resources**

Finance contributors to the CRGE Facility are the Government of Ethiopia, other governments (i.e. development partners), private and public entities, including multilateral, intergovernmental and civil society organisations, and individuals, which provide funds or implementation services to the Facility.

Where Contributors provide direct funds they will release their commitment to either the CRGE Facility Account *or* to the international Account, the basis of the contributions defined by Strategic and/or Targeted Agreements as appropriate, for allocation through the Programmed or Responsive Windows in accordance with conditions and CRGE priorities.

Financial contributors are also able to provide advisory and capacity support to both the Management Committee and CRGE Facility Secretariat. In certain circumstances, and when invited, they may participate on an ex-officio basis in meetings of the Technical and Financial teams during appraisal and review of SRAPs and investment proposals. They may also participate in joint supervision missions of funded programmes when this is considered to be appropriate.

## **5.3 Oversight of Funds**

### **5.3.1 Oversight of Receipt of Contributions**

To ensure that international fiduciary standards are satisfied, thereby creating the potential for immediate access to appropriate sources of international climate finance, the Government has signed a Memorandum of Agreement (MOA)<sup>21</sup> with UNDP's Multi-Partner Trust (MPTF) Office, which provides dedicated fund administration services to the UN system and national governments for facilities

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<sup>21</sup> A copy of the current MOA has been included in Annex 5(1).

involving multiple contributors/partners<sup>22</sup>. This role is referred to as Administrative Agent. In this way the MPTF Office responds to the need to provide flexible, coordinated and predictable funding to support the achievement of national and global priorities. In the context of the CRGE Facility, the UNDP-MPTF Office will create a viable option for any Contributors unable to put money directly into the CRGE Facility Account with MOFED.

Ultimately, the Government of Ethiopia intends that all Contributors to The Facility will be able to put funds directly into the Facility Account, and therefore the MPTF's Office involvement as Administrative Agent is considered to be an interim management arrangement. The MOA elaborates the interim management support service to be provided by the MPTF Office to the CRGE Facility. In particular the MOA endows the MPTF Office with the following interim management services:

- Strengthen MOFED's capacity to perform fund administration and management functions in order to ensure that National Implementing Entities (line ministries and regions) meet the necessary fiduciary management standards;
- On behalf of the Government of Ethiopia, sign Standard Administrative Arrangement with Contributors that choose to contribute through the International Account administered by the MPTF Office;
- Further to decisions of the Facility Management Committee and upon instruction from MOFED, directly transfer funds into the CRGE Facility Account within MOFED. The latter then transfers funds directly to National Implementing Entities (line ministries and regions);
- Receive financial contributions from those Contributors unable to channel money directly through MOFED, and deposit those in the Facility Account;
- Administer the funds received into the International Account, in accordance with UNDP's regulations, rules, policies and procedures<sup>23</sup>, as well as the policies and procedures of the Facility;
- With respect to the International Account, consolidate statements and reports, based on submissions provided by MOFED through the Facility Secretariat, containing the submissions of each National Implementing Entity, and provide these to the Management Committee and Contributors;
- With respect to the International Account, provide final reporting, in accordance with the Facility TOR; and
- Disburse funds from the International Account for any additional costs of the tasks that the Facility's Management Committee may decide to allocate to such organisations in accordance with the Facility TOR.

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<sup>22</sup> The MPTF Office currently has a portfolio of over 55 distinct MDTFs and 38 Joint Programs (JPs). More information is available at <http://mptf.undp.org>.

<sup>23</sup> A copy of current UNDP financial rules and regulations can be accessed at <https://info.undp.org/global/popp/frm/pages/accountability-and-internal-controls.aspx>

In addition to the above a representative of the MPTF will attend in an ex-officio basis those meetings of the Management Committee that determine utilisation of funds contributed to the International Account.

### 5.3.2 Oversight of Disbursement of Funds

MOFED is not permitted to disburse funds directly to private sector entities. As it is anticipated that this will be necessary, MOFED will engage appropriate Specialist Financial Intermediaries to fulfil this role, and to provide the Facility with the option of developing financing instruments in addition to standard reimbursable grants, such instruments potentially to include concessional loans and other debt instruments, equity, and other innovative forms of financial support. The Management Committee of The Facility will ultimately decide on the institution that will play the above stated roles on behalf of the CRGE Facility.

## PART 3: MANAGEMENT OF THE FACILITY



## Section 6: Resources Management and Financial Reporting

### 6.1 The Facility's Operating Cycle

The timing of the CRGE Facility's operating cycle is determined by the following:

- The CRGE is a part of the mainstream national planning process and therefore in due course the operation of The Facility must relate to the annual budgeting process, which runs between February and May each year.
- While the SRM is being established, early SRAPs may be considered on a case-by-case basis within the first 2 years of Facility Operations i.e. to the end of 2015.
- The Facility is designed to enable strategic allocation of resources to qualified proposals. The expectation is that the demand for funds will always exceed the supply and therefore allocation of financial resources must be prioritised. The submission, appraisal and approval of proposals must therefore run to fixed timescales, so that competing applications can be judged against each other, enabling the prioritisation of resource allocation to those proposals considered likely to have the greatest strategic impact.

Given their large-scale and complex nature, the preparation of SRAPs will be a substantial undertaking;

In the first years of operation the Facility will accept SRAPs on an ad-hoc basis, allowing for flexibility as the systems and processes are established real world. Post 2015, the Facility will accept one cycle of proposal submission and approval each year as outlined in figure 6.1. As appropriate the operating cycle may be adjusted to suit the requirement of the GTP sector plans but will always be based on a minimum of one cycle each year.

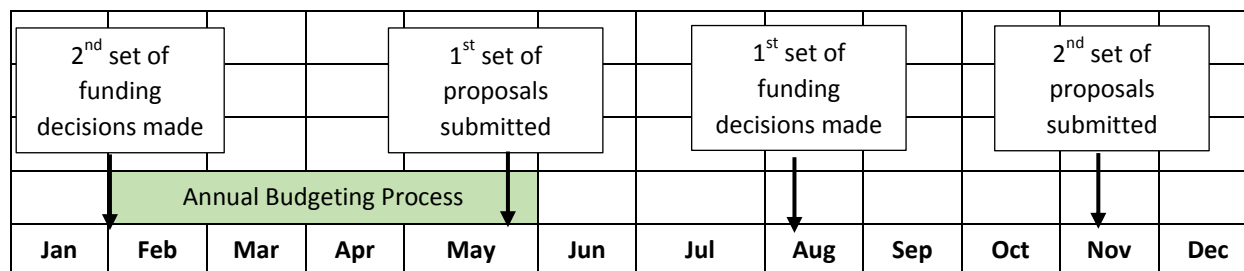
The main proposal submission and approval cycle will be informed by the country's annual budget. Therefore the cycle starts in May each year. Again reflecting their large-scale and complex nature, the receipt, compliance checking, appraisal and approval of proposals will require two months to complete. This implies that proposals should be submitted in May with funding decisions to be finalised and announced in July. Assuming availability of sufficient funds, a second cycle could then be operated with proposals to be submitted in November and decisions to be finalised and announced the following January (these decisions would therefore potentially help inform the next budgeting process). This overall operating cycle is illustrated in Figure 6.1.

The priorities and sequencing of funds allocation is articulated by the CRGE Strategy and the SRM, and more specifically the CRGE Strategy Framework<sup>24</sup>, which defines targets with regards to economic sectors and related parameters of importance (which, depending on circumstances, might relate to particular aspects of greening or resilience, or perhaps regional priorities).

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<sup>24</sup> A copy of the current CRGE Strategy Framework is provided in Annex 3(1) in section 3 of this Manual.

**Figure 6. 1 The Overall Twelve-month Operating Cycle of the CRGE Facility**



In developing the CRGE Strategy Framework, the Secretariat (Technical and Finance Teams) will:

- On the basis of sector led SRAPs, identify/verify the amounts and types of finance that are estimated to be required by each of the identified targets;
- Determine whether distinct financing requirements are short-, medium- or long-term considerations; and
- Determine priorities and most immediate requirements that need to be satisfied.

This detailed Strategy Framework will then guide The Facility in its efforts to build the financial resources required. It will also provide the framework that the Management Committee will apply in determining which approved proposals to allocate funds to.

## 6.2 Managing and Controlling Funds Made Available to The Facility

The Ethiopian Government has, since 2002, used a double entry modified cash basis of accounting. This method has been implemented at the federal level and in many regions, and has brought about the adoption of:

- A revised and comprehensive chart of accounts consistent with the current budget classification;
- A system of ledgers accommodating all types of accounts (including transfers, assets, liabilities and fund balance in addition to revenues and expenditures);
- Self-balancing sets of accounts;
- A system of control of budgetary commitments (recording commitments as well as actual payments); and
- Revised monthly report formats to accommodate double-entry book-keeping and commitment control to allow for better cash control.

The CRGE Facility fully complies with the existing accounting policies and procedures of the Government. Accordingly, to ensure the receipt and utilisation of funds is effectively controlled, the following measures are taken.

- A Chart of Accounts has been established<sup>25</sup> that defines categories and sub-categories of income and expense.
- The Treasury directorate of MOFED maintains a dedicated CRGE Facility account as well as separate ledgers for Strategic and Targeted Allocations for contributions that are made directly into the CRGE Facility national account. It also maintains separate ledger accounts for funds disbursed to it through the International Account. Both the ledgers, as well as being separated by Strategic and Targeted Allocations, are also separated by contributors.
- As needed, MOFED assigns specific account/budget codes in the government's functional classifications so that the utilisation of funds disbursed to approved actions can be accurately monitored by the CRGE Facility.

All funds are disbursed by MOFED to the Federal IE, which assumes responsibility for controlling and reporting on the use of funds that it receives. To this end IEs maintain separate ledger accounts for funds they receive from The Facility national account, one for use in relation to each of Strategic and Targeted Allocations. Each IE will account for all monies received and disbursed, and will retain documentation and submit financial reports to the Treasury Directorate of MOFED for consolidation at The Facility level.

IEs disburse funds in one of two ways, as illustrated in Figure 6.2, and as described below.

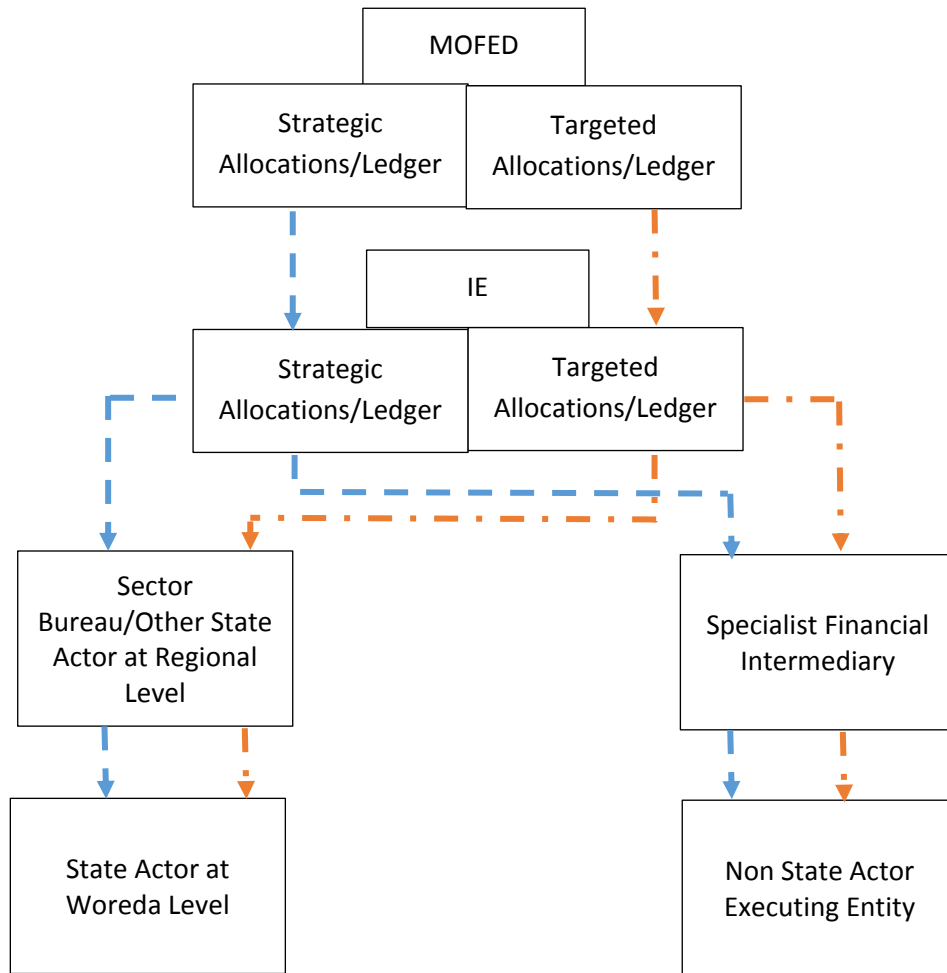
- For approved actions involving State Actors, IEs disburse funds through government apparatus, to Sector Bureaus or other State Actors at federal and regional level. The IEs at Federal level and Sector Bureaus at regional level apply government rules and regulations to effect payments, collect money, receive supplies, and deliver equipment etc.
- For approved actions executed by a Non-State Actor, IEs must disburse funds through an approved Specialist Financial Intermediary (SFI)<sup>26</sup>. SFI's are responsible for applying equivalent rules and regulations to ensure the utilisation of all funds can be accurately and consistently controlled and reported on. The Executing Entity is responsible for consolidating all information on the utilisation of allocated funds from all parties involved in implementing the approved action, in accordance with the rules and regulations of the CRGE Facility.

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<sup>25</sup> A copy of the Chart of Accounts has been provided in Annex 6(1).

<sup>26</sup> A summary of approved Specialist Financial Intermediaries has been provided in Annex 6(2). These have to be used because government agencies are not permitted to disburse funds directly to NSAs.

Figure 6. 2 Processes for Disbursing Funds from the CRGE Facility



Details of critical policies and procedures relating to overall financial management and control have been included in Figure 6.3.

Figure 6. 3 Key Accounting System Policies and Procedures

<b>Accounting Systems</b>
<p>The IEs at Federal level and Sector Bureaus and BOFED in Regions are responsible for maintaining an accounting system that:</p> <ul style="list-style-type: none"> <li>▪ Contains books, records and controls that are sufficient to ensure the accuracy and reliability of programme/project financial information and reporting;</li> <li>▪ Ensures that receipts and disbursements of facility funds are properly identified and that budgetary allocations approved under each category are not exceeded;</li> <li>▪ Ensures that lists of expenditure accounts are annexed to have a uniform and consistent accounting and reporting process;</li> <li>▪ Tracks the advances received and disbursements (expenditure records) made by the CRGE Facility (direct payments) on behalf of the programme/project;</li> <li>▪ Ensures that all financial records are kept up-to-date with all ledgers and journals closed at the end of each month; and</li> <li>▪ Requires that the sum paid to the bank accounts shall be entered in the bank column of the cashbook on the same day and shall be supported by the original of the bank deposit slip.</li> </ul> <p>Where Executing Entities are non-state actors, the accounting system responsibility lies Financial Intermediaries and the Executing Entities, in terms of:</p> <ul style="list-style-type: none"> <li>▪ Maintaining a proper and prudent accounting system, in line with international accounting standards and best practice;</li> <li>▪ Accounting software should be compatible with government systems. The current government system is IBEX (Integrated Budget and Expenditure), with a future transition to IFMS (Integrated Financial Management System). Non-state actors and Financial Intermediaries are responsible for ensuring system compatibility and to avoid inconsistency.</li> </ul>
<b>Bank Account Signatories</b>
<p>The federal and regional benefiting IEs should assign appropriate signatories in accordance with government financial rules and regulations to operate the bank accounts. A minimum of two signatures shall be required to effect disbursements/payments from a bank account. The signatories have the overall responsibilities to ensure that disbursements are authorised and effected in line with the procedures pertaining to government funds.</p>
<b>Use of Cheques</b>
<p>The assigned officials shall sign for every cheque book request. Unused cheques shall be treated as a valuable document and kept under lock and key. Officials in control of Government bank accounts are responsible to ensure that the number of cheques taken from a cheque-book corresponds with the number officially accounted for in the cashbook. The numbers of cheques drawn shall be entered in the appropriate column of the cashbooks. Cheques shall be used in numerical sequence. Cheques</p>

spoiled or cancelled shall be entered in the cashbook with the word “cancelled” in the description and “Nil” in the bank column. Cancelled cheques shall be attached to their counterfoil and retained in the cheque-book.

### **Bank Transfers**

Bank Transfer Orders issued shall be numbered in sequential order and entered in the appropriate column of the cashbooks. Bank transfer orders shall be signed by the official(s) authorised to operate the bank account. A copy of the bank transfer order shall be attached with the Payment Vouchers.

### **Bank Reconciliation**

The Finance officer must reconcile the cashbook with the bank statement at the end of every month and the reconciliation shall be securely attached to the bank statement. Any discrepancy shall be identified to include the following, if any:

- Receipts recorded in Cash book but not yet credited by bank;
- Cheques/bank transfers issued and not yet debited by bank;
- Item debited/credited by Bank but not yet recorded in Cash Book.
- Errors by the Bank or in recording entries of the Cash Book.

Bank reconciliation shall be prepared in line with the schedule, formats and standards set as per Government financial rules and regulations. Cashbooks are maintained to provide a chronological record of all funds that are deposited into and disbursed from the programme/project bank account. The Cashbook shall be updated, ‘Closed’ and reconciled with the bank statements on a regular basis, at least monthly. The three monthly reconciliation statements prepared during the quarter must be filed together with the Financial Report.

To accommodate interim arrangements for management of the International Account, the UNDP-MPTF Office has established a separate ledger under the financial regulations and rules of UNDP for the receipt and administration of the funds received pursuant to a Standard Administrative Arrangement with contributors. The Facility Account will be administered in accordance with the UNDP’s applicable regulations, rules, policies and procedures, including those related to interest. This account will be subject exclusively to the internal and external auditing procedures laid down in the applicable UNDP financial regulations, rules, policies and procedures<sup>27</sup>.

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<sup>27</sup> See section 5.3 of this Manual.

## 6.3 Financial Reporting

### 6.3.14 Quarterly Reporting

Financial reporting is performed on a quarterly basis, the requirement being that Implementing Entities submit quarterly financial reports to MOFED for approved actions in their portfolio<sup>28</sup> within 15 days after the end of the quarter.

For this to happen, and reflecting the hierarchy illustrated in Figure 6.2, reporting arrangements are as described in Figure 6.4. All reports are to comply with standard financial reporting formats<sup>29</sup>.

**Figure 6. 4 Key Quarterly Financial Reporting Arrangements**

Reporting Arrangements for Approved Actions being Executed by State Actors	Reporting Arrangements for Approved Actions led by a Non State Actor Executing Agency
WOFED shall submit program/project financial progress report to BOFED regarding all sectors within 10 days after the end of the quarter.	
The regional implementing sector Bureaus will submit quarterly financial reports to BOFED within 10 days after the end of the quarter for the regional level activities.	Each implementing partner will submit quarterly financial reports to their Executing Agency within five days of the end of the quarter.
For activities implemented in their respective region (regional and woreda level) the regional implementing entities shall submit quarterly financial reports to BOFED within 10 days after the end of the quarter.	Each Executing Agency shall submit quarterly financial reports to the appropriate Approved Accounting Intermediary within 10 days after the end of the quarter.
Within 15 days after the end of the quarter, BOFED shall submit consolidated quarterly financial report to the Treasury Directorate of MOFED with copy to relevant sector ministries.	Within 15 days after the end of the quarter, each Approved Accounting Intermediary shall submit consolidated quarterly financial report to the Treasury Directorate of MOFED with copy to relevant sector ministries.

<sup>28</sup> These are actions that the IE submitted to The Facility for review, and which were subsequently approved and for which Implementing Agreements have been duly signed.

<sup>29</sup> A copy of the standard reporting format has been provided in Annex 6(3).

If funds received by the national implementing entities remain to be standing after six months, then this may be considered as outstanding advance and as a result funds may not be released to those national implementing entities until such outstanding advances are liquidated.

### 6.3.15 Reporting on Approved Actions

For each approved action, MOFED shall prepare, provide to all CRGE contributors, and make publically available (including through The Facility's website) the following statements and reports prepared in accordance with the reporting procedures of the Facility:

Quarterly financial reports, which shall include the following information:

- Funds received (broken down by contributor, including any earmarking),
- Funds disbursed (broken down by contributor),
- Update of funds disbursed by MOFED to Implementing Entities (including timeframe from approval to contract signing to disbursement), against agreed budget,
- Funds disbursed by IE's to EEs, against agreed and detailed plans and budgets, this includes detailed breakdowns of costs centers and expenditures at micro-level, in line with international best practice and
- Measurement of any delays to financial disbursements or implementation;

Quarterly narrative progress reports which shall include the following information:

- Status update of all approved plans and projects, with start dates, end dates, budget data, results targets, results achieved;
  - Update against CRGE results framework and activities plan,
  - Approved Plans and Proposals in the last quarter, with short summary of objectives, results to be achieved, timeframe, and performance against budget,
  - Progress achieved in the last quarter, including key results delivered and reporting on social and environmental safeguards policies and procedures in the implementation and monitoring of programmes, and
  - Progress of CRGE Facility against key work plan milestones, plus other appropriate and essential management updates highlighting, among other things, key achievements, challenges encountered, justification for any delays, and summary of lessons learned;
- Annual un-audited financial statements are prepared by IEs at the end of the fiscal year, by IEs.
  - The Facility is responsible for liaising with OFAG to commission and/or lead audit activities on government expenditures and/or to assign private auditors for Non-State Actors and/or government expenditures by IEs;
  - Annual audited financial statements, and reports, as of the end of the fiscal year (running from July 8<sup>th</sup> up to July 7<sup>th</sup>) with respect to the funds disbursed from the Facility Account, are to be provided no later than four months after the end of the calendar year;



- The Audit findings are the responsibility of IE's, and the audit report shall be submitted by the Auditors to The Facility. Audits reports are made available to the Management Committee and contributors.
- Annual narrative progress reports, to be provided no later than three months after the end of the calendar year, which shall include the following information:
  - Status update of all approved plans and projects, with start dates, end dates, budget data, results targets, and results achieved,
  - Update against CRGE results framework at all levels, including inputs, outputs, outcomes and impact,
  - Plans and proposals approved in the last quarter, with short summary of objectives, results to be achieved, timeframe, and budget,
  - Progress achieved in the last quarter, including results delivered, and
  - Progress against key work plan milestones, plus other appropriate and essential management updates highlighting, among other things, key achievements, challenges encountered, justification for any delays, and summary of lessons learned;
- Audited final financial statements and final financial reports, after the end and/or closure of project and/or completion of the activities in each approved investment plan, to be provided no later than six months following the financial close of the programme, as applicable; and
- Annual narrative progress reports, including reporting on environmental and social safeguards policies and procedures during implementation and monitoring.

For programme activities that are financed through the International Account, the MPTF Office shall prepare separate consolidated narrative progress and financial reports, in a format consistent with the reports prepared by MOFED. The MPTF Office shall provide copies of these reports to each Contributor to the International Account, as well as to MOFED, in accordance with the timetable set forth in the Memorandum of Agreement (MOA)<sup>30</sup>. MOFED will be responsible for incorporating these reports into documentation to be presented to the Management Committee.

### 6.3.16 Annual Reporting

#### ***Reporting to MOFED***

All IEs, Approved Financial Intermediaries, BOFED, Executing Entities, and WOFED must close their account and prepare year-end financial statements which should include the following:

- Trial balance,
- Income and expenditure statement,
- Balance sheet,
- Cash flow statement, and

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<sup>30</sup> See Annex 5(1) in section 5 of this Manual.

- Inventory report for non-expendable equipment.

All IEs, all Approved Accounting Intermediaries and all BOFEDs shall submit a consolidated annual report prepared as per the government reporting format<sup>31</sup> to MOFED at the end of each fiscal year.

The UNDP-MPTF Office shall also provide to MOFED and the Contributors to the International Account an annual audited financial statement on its activities ('Report on Sources and Use of Funds'<sup>32</sup>) no later than five months after the end of the calendar year.

### ***MOFED Reporting to Contributors***

For all funds, MOFED will provide the following statements and reports:

- Quarterly consolidated unaudited financial report for both Programmed and Responsive Windows within 45 days of end of the quarter. The financial reports should report transfers *and* actual expenditure. For the MPTF, the financial reports will be prepared on an actual expenditure basis (that is, it will report actual expenditures not transfers). The reports will include:
  - A Statement of uses of funds, opening and closing balances for the quarter and cumulative,
  - Statement of uses of fund that shows actual expenditures and transfers,
  - An actual versus budget comparisons for the quarter and cumulative, and
  - Notes and explanations;
- Annual narrative progress reports, to be provided no later than three months after the end of the calendar year;
- Annual audited financial statements and reports as of the end of the fiscal year to be provided no later than four months after the end of the calendar year; Separate reports will be provided as necessary with respect to the funds disbursed to it from the UNDP-MPTF Office Facility Account;
- Final narrative reports, after the completion of the activities in the approved programmatic document, to be provided no later than four months of the year following the financial closing of the programme. The final report will give a summary of results and achievements compared to the goals and objectives specified in the programmatic document; and
- Audited final financial statements and final financial reports after the completion of the activities in the approved programmatic document to be provided no later than six months of the year following the financial closing of the related programmes.

MOFED will be responsible for ensuring this information is consolidated/consistent with the aggregate reports prepared on behalf of The Facility and presented to the Management Committee.

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<sup>31</sup> See Annex 6(3).

<sup>32</sup> The standard format of this report is illustrated in Annex 6(4).

Each quarter, MOFED will prepare the financial reports for expenditures incurred at all levels based on the annexed quarterly financial reporting format. The financial report will be submitted to contributors directly in case of direct contributions to the CRGE Facility Account or to the MPTF Office in the case of contributions to the International Account, along with the authorised withdrawal application based on a projected cash flow needs. Assurance that the funds to IEs are appropriately used for the intended purposes will be sought from the annual audits, the Office of the Federal Office General (OFAG)/ORAGs and supervisions.

## Section 7: Auditing and Assurance of The Facility

Auditing of the IEs and Approved Accounting Intermediaries that have received funds from The Facility shall be subject exclusively to the internal and external auditing procedures provided in the National Regulatory Framework.

The activities of the UNDP MPTF Office, as interim Administrative Agent, shall be subject exclusively to the internal and external auditing procedures provided in the financial regulations, rules, policies and procedures of UNDP MPTF.

### 7.5 Internal Control

The CRGE Facility will use government financial management systems and procedures to ensure that satisfactory internal controls are in place. MOFED and BOFEDs each have Inspection Departments (known as Internal Audit Directorate at MOFED level and Internal Audit Department at regional level), the mandate of which includes ensuring good quality of internal audits at the Ministries at Federal level and Sector bureaus at region level, following up on the audit recommendations noted by internal audit reports at different Ministries at Federal level and Sector bureaus at region level, providing training and improving manuals. The Internal Audit Directorate acts as an internal audit regulatory body while the Internal Audit Units in the Ministries and Sector bureaus conduct the internal audit activities.

Where or before funds are transferred to EEs that are non-state actors, the relevant IEs will ensure that EE's have properly designed or in place internal control systems in line with international best practice. Guidance on due-diligence undertaken by IEs will be provided by MOFED and the Facility in line with best practice. This is to ensure that EE's have the systems and capacities to delivery and do not represent significant risk in regard to fiduciary risks.

### 7.6 Internal Auditing

The internal audit manual prepared by the Internal Audit Directorate in MOFED, in collaboration with Office of the Federal Office General (OFAG), outlines the internal audit practices relevant to the CRGE Facility as well as the means by which these relevant practices will be conducted.

Accordingly, the Internal Audit Units established in Sector Bureaus and BOFED/WOFED shall:

- Keep and provide a complete and annual check of the accounts, records, expenditure, stores, inventories, equipment, vehicles and other assets, there may also be quality assurance/spot checks on accounts as deemed appropriate;
- Review the accounts, financial documents and statements on a quarterly basis; and
- Submit a written report to MOFED, copied to the subject of the audit, on the results of the checks carried out, along with recommended actions as necessary and a plan for their implementation.

The Internal Audit Units will be responsible for following-up on the implementation of those recommendations accepted and authorised by MOFED.

## **7.7 External Auditing**

MOFED is responsible for ensuring that the financial statements relating to Designated Accounts are audited annually, and for submitting the audited annual project financial statements to the contributors within six months of the end of the fiscal year.

According to the Ethiopian Constitution, OFAG is responsible for auditing all the financial transactions of the federal government as well as subsidies to the regions. OFAG has five regional offices, which audit revenues (including resources from higher tiers of government) utilised by the regions and Woredas. Woredas are audited using a revolving plan based on risk classifications. Each of the regions has a Regional Auditor General (ORAG), who is responsible for the audit of government financial transactions in the region. Accordingly, the CRGE Facility auditing will be carried out by the OFAG on a quarterly and annual basis. OFAG may enter into agreements with the Offices of ORAGs and other independent auditors to execute the Annual Audit should it deem this to be necessary. If this approach is adopted, the auditors will be appointed within two months of effectiveness.

Where Executing Entities that are non-state are involved i.e. the private sector, academia and academia for example, independent audits will be carried out by approved and qualified entities on an annual basis.

In all cases, the auditor will express an opinion on the financial statements established to record the source and allocation of funds from The Facility (the Designated Account). The annual financial statements will adopt the same format as the quarterly reports and will therefore be a consolidation of the quarterly reports. Audits will apply robust sampling techniques and address the following primary issues:

- Examination of the activities of and the systems and controls applied to the Designated Account;
- Verification of services financed by the programme;
- Examination and report on the International Public Sector Accounting Standards or International Financial Reporting Standards used as the basis for disbursements and
- Provision of an opinion as to whether funds are being used for the intended purposes, including explanation of the sampling techniques used to test financial transactions and evaluate internal controls.

The results of external auditing will be communicated to contributors. Working with MOFED, the CRGE Secretariat will prepare an action plan and follow up on the implementation of comments provided by the external audit. It will then send status report to contributors on the implementation of the comments and recommendation to contributors.

A Final Audit Report will be produced once the Implementation Agreement governing the allocation of firms has terminated. The auditor will plan and perform the continuous audits in a way that adds value (by tightening financial controls) and reduces the time it takes to produce the final Audit Report.

Specific requirements of the audit process are summarised in Figure 7.1.

**Figure 7. 1 Specific Requirements of the External Audit Process**

<b>General</b>
<p>The audit must be conducted in conformity with generally accepted common auditing standards and in accordance with the professional judgment of the auditor. The standards applied are normally referred to in the audit report. A legally recognised auditor of the Government normally conducts the audit. However, in instances when such arrangements are not feasible, the audit may be carried out by a commercial auditor appointed by the Auditor General. MOFED will organise briefings with the auditors before the audit exercise and upon the completion of the audit. The findings of the draft audit report must be discussed in detail with the IEs, including appropriate programme or project management staff, the government coordinating authority. Their comments are expected to be included in the final report.</p>
<b>Terms of Reference for an Audit</b>
<p>The TOR will be drafted by the Facility and must provide detailed and comprehensive guidance on the audit process, such as the audit plan, standard terms of reference and contract for the auditor, standard outline audit report, as well as issues and documentation to assist the audit.<sup>33</sup> This will be shared with contributors to the Facility on request before the disbursement of funds.</p>
<b>Audit Plan and Objectives</b>
<p>All CRGE Facility supported programmes and projects, must be audited at least once. The Facility draws up an annual audit plan by December. The audit plan lists the programmes and projects scheduled to be audited on that given year, considering whether the programme or project has previously been audited, the volume of funds, number of programmes and projects, workload, among other things. The Office of General Auditor will assign the appropriate auditors for all programmes. This will be applicable to state and non-state actors. The objective of the audit is to provide the Government and the contributors with the assurance that resources are being managed in accordance with:</p> <ul style="list-style-type: none"> <li>▪ The financial regulations, rules, practices and procedures prescribed for the programme or project;</li> <li>▪ The sectoral action plans and project proposals, including activities, management and implementation arrangements, monitoring, evaluation, and reporting provisions; and</li> <li>▪ The requirements for execution in the areas of management, administration and finance.</li> </ul>

<sup>33</sup> The standard format for the audit TOR is attached as Annex 7(1).

### Scope of Audit

The audit of CRGE Facility supported programmes or projects must cover, but may not necessarily be limited to, the following:

- Assessment of the rate of delivery,
- Financial accounting, monitoring and reporting,
- Management systems for recording, documenting and reporting on resources utilisation,
- Equipment use and management, and
- Management structure, including the adequacy of appropriate internal control and record-keeping mechanisms.

The audit must confirm and certify that:

- Disbursements are made in accordance with the activities and budgets of the programme support or project document,
- Disbursements are supported by adequate documentation,
- The financial reports are fairly and accurately presented,
- An appropriate management structure, internal controls and record-keeping systems are maintained,
- National Implementing Entities and the CRGE Facility have undertaken and have prepared reports for monitoring and evaluation of the substantive activities and of the management systems of the programme/project, and
- The procurement, use, control and disposal of nonexpendable equipment are in accordance with the Government's regulations.

The audit is normally carried out at the level where the original documentation is held. It shall cover the funds channelled through the government by way of advances of funds. At regional level original documents are retained at sectoral offices for Audit. Non state actors are responsible for retaining the original audited documents.

In addition to audits scheduled in consultation with MOFED, the contributors reserve the rights for periodic site reviews and spot checks of the financial records of IEs; programmatic monitoring visits and special as well as scheduled audits.

### Follow-up

The audit report is an integral part of the monitoring and evaluation process. Its contents are taken into account in the annual progress review of programmes or projects, in programme or project evaluation and in the annual and mid-term review. The audit report shall be shared/discussed with all concerned bodies including regions and follow-up actions shall be prepared and implemented by the responsible body. BOFEDs and MOFED are responsible for following up with the IEs and on the implementation of the recommendations made in the audit report that pertain to them.

## Section 8: General Communications and Disclosures

### 8.1 The Purpose of CRGE Facility Communications

To help maximise its impact, the CRGE Facility relies on communications to:

- Generate interest among potential Finance Partners;
- Generate interest among potential Implementing Partners and Executing Entities, particularly to the Responsive Window, including among entities with the potential to collaboratively participate in the implementation of programmes;
- Make the general population of Ethiopia aware of the progress being made in the context of this critical aspect of the country's development;
- Ensure that those entities that have engaged with The Facility remain continually aware of its evolution and achievements, and
- Satisfy the needs of public disclosure.

In order to achieve this The Facility will engage in a variety of cyclical and tailored communication activities, as described below.

In executing its communications activities, The Facility will at all times function as a coherent part of the overall CRGE initiative. In many cases communications will best be organised through or in collaboration with other parts of the CRGE architecture, to ensure consistency, coherence and maximum impact. It is the responsibility of the CRGE Secretariat to ensure that all communication activities adhere to this principle and make the most effective use of communications specialists engaged in the work of the CRGE initiative.

### 8.2 Cyclical Communications

Communications will be conducted in accordance with the operating cycle detailed in section 6<sup>34</sup> of this Manual, to ensure that the right stakeholders have access to meaningful information at appropriate times. In particular this requires that:

- Information relating to calls for proposals, involving the release and distribution of Sector Reduction Action Plans and the publication of strategic objectives and priorities, as expressed in the CRGE Strategy Framework<sup>35</sup>. These key documents and related information should be distributed by the CRGE Facility so that interested parties have adequate time to submit high quality proposals. Such information should be made available at least three months prior to deadlines for proposal submission;

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<sup>34</sup> In particular, refer to section 6.1 of this Manual.

<sup>35</sup> See Annex 3(1).



- In order to ensure the best possible response to calls for proposals, reminders of submission deadlines should be circulated one month and one week prior to the deadlines;
- Specific and appropriate feedback to all proposers should be provided as soon as it is available, and according to a publicised calendar of events. If delays occur in the review and selection process then proposers must be kept informed of changes to the calendar of events;
- General announcements of awards of funds should be made following the completion of each review and selection cycle, and once all proposers have received their individual feedback; and
- Significant findings from annual reviews and reporting should be publicised, so as to raise awareness of the impact The Facility is having and to ensure the work of the CRGE initiative remains transparent to all stakeholders.

At the beginning of each year The Facility will produce an annual communications strategy and calendar of events that specifies each of the activities it will undertake to satisfy the needs of cyclical as well as general communications. For each activity the strategy will detail the specific objectives, the intended recipients of communications, the communication methods that will be utilised, the timing of specific tasks, and the ways that the performance of the activity will be measured. The strategy and plan will be reviewed and approved by the Management Committee.

### **8.3 Announcement of Awards**

The Facility will ensure that decisions regarding the approval of funds, as well as periodic reports on the progress of Facility-financed activities and associated external evaluation are posted, where appropriate, for public information on the websites of The Facility and the Administrative Agent (<http://mptf.undp.org>). Such reports and documents may include Management Committee approved programmes and programmes awaiting approval, fund level annual financial and progress reports and external evaluations, as appropriate.

### **8.4 Publicising Facility Achievements and Impacts**

Publicising facility achievements and impacts, as well as being an important part of public disclosure, will likely be the most effective way of generating interest in and commitment to The Facility among Contributors and potential applicants. The Secretariat in particular should continually create interesting stories out of the achievement of Facility-funded activities, showing how it is contributing to the prosperity and well-being of the people of Ethiopia.

### **8.5 Public Disclosure Commitments**

The Secretariat will take appropriate measures to give due credit to the other stakeholders in the CRGE Facility. Information given to the press, to the beneficiaries of The Facility, all related publicity material, official notices, reports and publications, will acknowledge the leading role of the Government, the Contributors, MOFED, the UNDP-MPTF Office as Administrative Agent and any other relevant entities.

Similarly, in any of its communications, the Administrative Agent will include and ensure due recognition of the role of the Government, MOFED, national partners, National Implementing Entities and International Participating Organisations and Finance Partners in all external communications relating to The Facility.

Each Implementing Entity shall take appropriate measures to promote the Facility. Information given to the press and to the beneficiaries of the assistance provided through the Facility, all related promotions material, official notices, reports and publications shall acknowledge the leading role of the Government.

## PART 4: THE PROGRAMMING CYCLE

## Section 9: Managing Demand

### 9.1 Overview of the CRGE Facility Work Flow

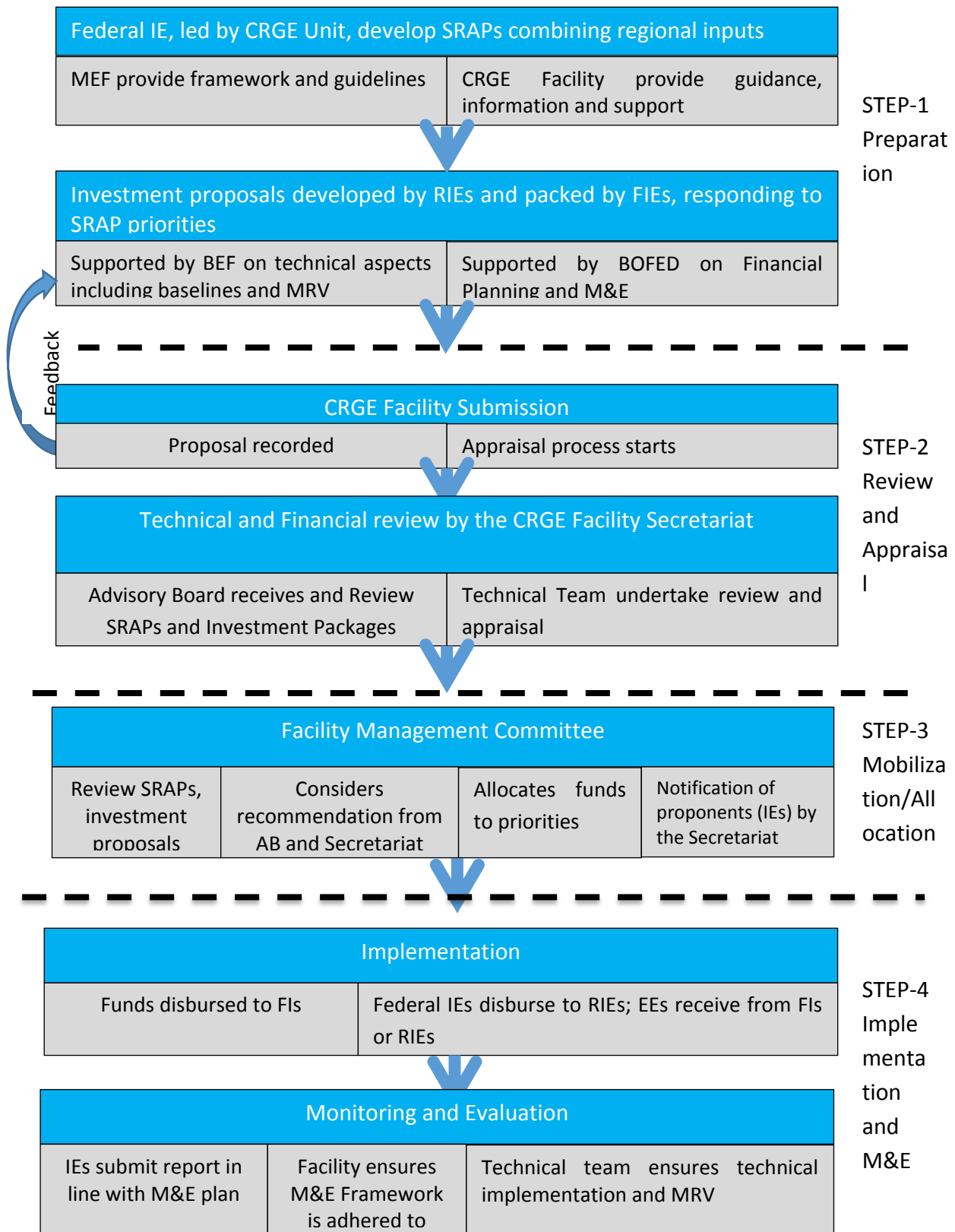
The CRGE Facility work flow encompasses all of the four steps of the SRM process, namely:

1. Develop and Validate Sector/Thematic Reduction Action Plans (SRAPs/TRAPs);
2. Technical and Financial Review of SRAPs/TRAPs;
3. Financial Mobilisation and Allocation of investment;
4. Results

The work flows and allocation of responsibilities are summarised in Figures 9.1 and 9.2, respectively. The detailed work flows and processes are described in Part 4 of this Manual. CRGE Facility demand management involves:

- Ensuring that those entities that could contribute to the achievement of the CRGE initiative are aware of the opportunities offered by as well as the requirements of The Facility;
- Helping IEs to attract proposals that match current strategic priorities of the CRGE initiative;
- Offering advice and guidance to IEs and potential Implementation Partners so as to help attract proposals that align with current availability of funds (in terms of any specific conditionality as well as overall volume);
- Stimulating responses to the needs of the CRGE, particularly in facilitating SRAP development ;
- Providing the support and guidance to IEs necessary to ensure that SRAPs and investment proposals that are attracted are of high quality and comply with any applicable policies and procedures;

Figure 9. 1 CRGE Facility Decision Making Work Flow Chart for Programmed Window



It is largely the responsibility of the Federal IEs to develop SRAPs that clearly identify the objectives, and to attract interest from regions and EEs that are able to deliver the necessary actions. The Facility will provide technical support to the IEs in attracting appropriate interest from EE's through tailored support packages, bases on continuous dialogue with IEs on planning and implementation needs. This could be through provision of resource, planning expertise or other support deemed relevant for the sector.

## 9.2 Managing the Proposal Cycle

The aim of the CRGE Facility is to award limited funds to the most strategically significant proposals. Therefore SRAPs and yearly investment plans are attracted and reviewed according to set timelines, so that they can be reviewed and assessed:

- In the context of updated strategic goals and objectives; and
- In relation to each other.

Proposals will be accepted once a year, to ensure CRGE Facility operations align with national planning processes; predictability of operations should also help increase the number of eligible proposals received, as it will be easier for stakeholders to plan their response to The Facility.

The standardised time schedule is illustrated in Figure 9.2. The timings of the proposal review and evaluation process are to some extent indicative, as actual timings may have to be altered to accommodate the necessary duration of technical investigations and related information collection. The schedule also specifically recognises that IEs are responsible for coordinating the submission of proposals relating to their SRAPs.

Note that, while the SRM is being established and operationalized, SRAPs will be considered on a case by case basis, according to terms to be defined at the time up to the end of 2015. The term '**proposal submission date**' refers to the deadline by when The Facility needs to receive proposals (from IEs) once the SRM and GTP II systems have been firmly established.

**Figure 9. 2 Standardised Time Schedule for Consideration of CRGE Proposals**

Timing	Event
February	<ul style="list-style-type: none"> <li>• Update strategic framework and determine any changes to strategic priorities (given in particular findings from annual reporting process and current and anticipated availability of funds)</li> <li>• Announce and publicise details for proposal cycle (information to include deadline in May for receipt of proposals by The Facility, up-to-date eligibility and appraisal criteria, information on strategic priorities and availability of funds, and any other information that will help attract the required response)</li> </ul>
March to April	<ul style="list-style-type: none"> <li>• Facility provides neutral and objective support to IEs and, as appropriate,</li> </ul>

Timing	Event
	<p>those entities intending to submit proposals (support should aim to discourage inappropriate/uncompetitive submissions as well as help improve the quality of those proposals that have a realistic chance of receiving funding)</p> <ul style="list-style-type: none"> <li>• Circulate intermittent reminders of deadline for submissions</li> </ul>
May	<ul style="list-style-type: none"> <li>• Proposals submitted by IEs to The Facility within the published deadline</li> <li>• Secretariat screens received proposals for eligibility</li> <li>• Ineligible proposals returned to submitters (IEs) with explanation of why they were not accepted</li> <li>• Eligible proposals are reviewed by the Secretariat, to ensure that all required information has been provided, requesting corrections/clarifications as required</li> <li>• Once all corrected information has been received from eligible applicants, Secretariat prepares proposal files for submission to Technical Team and the Finance Team for appraisal and selection, and to Advisory Board for review and comment</li> </ul>
June	<ul style="list-style-type: none"> <li>• Technical Team commences detailed technical appraisal of submitted proposals, including seeking clarification where required</li> <li>• Advisory Board provides comments on proposals to Secretariat for its consideration</li> <li>• Technical Team and reaches agreement on selection and prioritisation of proposals for available funding (this may need to occur in July)</li> </ul>
July	<ul style="list-style-type: none"> <li>• Conclusions reached by Technical Team are submitted to and documented by the CRGE Secretariat and shared with Advisory Board, for its review and comments</li> <li>• For proposals considered to not meet investment requirements, explanations of deficiencies are prepared for communication from the Secretariat to the proposal submitters (IEs)</li> <li>• For proposals that meet investment requirements, the conclusions and recommendations of the Technical team are communicated by the Secretariat to the Management Committee (recommendations should identify what levels of funding will be required in the context of the strategic framework and the priorities for award of available funds to approved proposals)</li> <li>• Meeting of Management Committee planned and organised by the Secretariat (including separate meeting configured for approval of funds from the International Account)</li> <li>• Advisory Board provides any comments on the decisions reached by the</li> </ul>

Timing	Event
	Technical team to the Management Committee
August	<ul style="list-style-type: none"> <li>• Management Committee determines optimum allocation of funds given recommendations, current availability of funds and outcomes of annual national budgeting process</li> <li>• For technically approved proposals for which funding is currently available, successful proposers are informed and Secretariat finalises standard financing agreement</li> <li>• Once standard financing agreements have been put in place, disbursement and contract management schedules are set up</li> <li>• Where funding is not yet available for technically approved proposals, Secretariat liaises with IEs/proposers to identify potential future scenarios</li> <li>• Publicity organised to reflect decisions made and the anticipated implementation activities</li> <li>• Summary reports on funding allocations issued to all Finance Partners</li> <li>• Announce and publicise details for proposal cycle (information to include deadline in November for receipt by The Facility of proposals, up-to-date eligibility and appraisal criteria, information on strategic priorities and availability of funds, and any other information that will help attract the required response)</li> </ul>
September to October	<ul style="list-style-type: none"> <li>• Facility provides neutral and objective support to IEs and, as appropriate, those entities intending to submit proposals (support should aim to discourage inappropriate/uncompetitive submissions as well as help improve the quality of those proposals that have a realistic chance of receiving funding)</li> <li>• Circulate intermittent reminders of deadline for submissions</li> </ul>
November	<ul style="list-style-type: none"> <li>• SRAPs/Investment Plans submitted to The Facility within the published deadline</li> <li>• Secretariat screens received proposals for eligibility</li> <li>• Ineligible proposals returned to submitters with explanation of why they were not accepted</li> <li>• Eligible proposals are reviewed by the Secretariat, to ensure that all required information has been provided, requesting corrections/clarifications as required</li> <li>• Once all corrected information has been received from eligible applicants, Secretariat prepares proposal files for submission to the Technical team and to Advisory Board</li> </ul>
December	<ul style="list-style-type: none"> <li>• Technical team commences detailed technical appraisal, seeking clarification</li> </ul>



Timing	Event
	<p>where required</p> <ul style="list-style-type: none"> <li>• Advisory Board provides comments on proposals to Technical Team</li> <li>• Technical team reaches agreement on selection and prioritisation of proposals for funding (this may need to occur in January)</li> <li>• Conclusions reached by Technical Team are submitted to and documented by the CRGE Secretariat and shared with Advisory Board, for its review and comments</li> <li>• For proposals considered to not meet investment requirements, explanations of deficiencies are prepared for communication from the Secretariat to the proposers (IEs)</li> <li>• For proposals that meet investment requirements, the conclusions and recommendations of the Technical Team are communicated by the Secretariat to the Management Committee (recommendations should identify what levels of funding will be required)</li> <li>• Meeting of Management Committee planned and organised by the Secretariat (including separate meeting configured for approval of funds from the International Account)</li> </ul>
January	<ul style="list-style-type: none"> <li>• Advisory Board provides any comments on the decisions reached by the Technical Team to the Management Committee</li> <li>• Management Committee determines optimum allocation of funds given recommendations of Technical Team, comments from Advisory Board, current availability of funds and outcomes of annual national budgeting process</li> <li>• For technically approved proposals for which funding is currently available, successful proposers are informed and Secretariat finalises standard financing agreement</li> <li>• Once standard financing agreements have been put in place, disbursement and contract management schedules are set up</li> <li>• Where funding is not yet available for technically approved proposals, Secretariat liaises with proposers to identify potential future scenarios</li> <li>• Publicity organised to reflect decisions made and the anticipated implementation activities</li> <li>• Summary reports on funding allocations issued to all donors to The Facility</li> </ul>

### 9.3 Initiating the Proposal Cycle

As evident from Figure 9.3, the two principal requirements that The Facility needs to consider when initiating the proposal cycle are to:

- Update the CRGE Strategy Framework<sup>36</sup> and determine any related changes to strategic priorities. While the overall strategic goals and intent of the CRGE Strategy can be expected to remain steady it is also likely that periodic adjustments will be required to specific objectives and priorities, in particular reflecting findings from the Monitoring and Evaluation programme, as well as current and anticipated availability of funds. The Secretariat will be instrumental in liaising with the Technical Team to ensure that the CRGE Strategy Framework is always up-to-date and reflected in the Integrated Resources Management Framework, the latter being used to properly articulate the link between strategic aims and availability of funds; and
- Announce and publicise details for each proposal cycle (the information circulated to include the next deadline for receipt of proposals, up-to-date eligibility and appraisal criteria, information on strategic priorities and availability of funds, and any other information that will help attract the required response.

## 9.4 Attracting Eligible Applicants

Even with effective design of the CRGE Facility, the process of preparing quality proposals and obtaining funding will be demanding. Some of the entities that The Facility hopes to engage might well find the demands overwhelming and require support.

For this reason, it is vital that The Facility's Secretariat and the Technical Team are able to provide support and facilitate the preparation of proposals. This activity must be performed so as not to create unfair advantage for any proposer, while at the same time ensuring that every eligible proposer has access to all the information and procedural guidance required to prepare high quality proposals that respond specifically to CRGE requirements.

Section 8 of this Manual provides guidelines on the communications techniques and approaches that should be used to help stimulate the desired response to The Facility. As part of the communications strategy the Secretariat and the Technical Team will:

- Proactively follow up with IEs and, when appropriate, other entities from which proposals are sought, to ensure they are properly briefed and motivated to respond;
- Distribute appropriate guidance information to IEs to help preparation of proposals, including pro forma application documents<sup>37</sup>, tools and methodologies and provision of ad-hoc support;
- Ensure that proposers receive appropriate answers to any requests for technical or procedural clarification;
- Facilitate the introduction of entities to others that may be willing and able to collaborate on proposal preparation and implementation; and
- Ensure proposers remain aware of deadlines and other essential rules and regulations.

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<sup>36</sup> See Annex 3(1).

<sup>37</sup> More detailed information on the proposal process and associated documentation is provided in Section 10.

Overall, it is critical that, while remaining neutral and objective, the Secretariat plays a proactive role in encouraging and supporting proposers, rather than simply assuming The Facility will receive the volume and quality of proposals it requires.

With respect to the Programmed Window, this process is relatively straightforward, as the Investment Plans should identify the entities from which proposals are sought. The Responsive Window will require a different approach, as the most suitable proposers may not be so immediately evident. Part of the work of the Secretariat, in consultation with the Management Committee, Technical Team and IEs, will be to identify and communicate with those entities that may be best positioned to contribute to the aims of the CRGE initiative.

## **9.5 CRGE Eligibility Criteria for Applicants**

While it is essential that The Facility receives the level of response it needs, it is equally important that potential proposers use their time wisely. There are many potential proposals that for various reasons are not, realistically, likely to receive funding from The Facility. It is the role of the IEs, under the guidance of the Secretariat, to discourage such proposers from expending time unproductively, so as to avoid stakeholders becoming disillusioned. Filtering out inappropriate and low quality proposals will also ensure that the time of those involved in proposal review and selection is well used.

The clearest case for discouraging proposals is when the eligibility criteria of The Facility cannot be met. An Implementing Entity that has established its own CRGE Unit in accordance with the requirements set pursuant to this Mechanism will be eligible to access resources from the Facility. The IE should be also one of the CRGE sectors identified in the CRGE Strategy and undertake activities that will contribute to reduction of emission of GHGs as well vulnerability to the effects of climate change. Proposers should be under no doubt that failure to satisfy all the criteria will result in a submission being rejected.

## **9.6 Screening Applicants**

In principle, and as a result of regular liaison with IEs, the Secretariat should be well aware of what proposals are to be submitted before each submission deadline. It may be that some expected proposals are not received by the publicised deadline; in the interests of the credibility of The Facility it is imperative that no exceptions be made to this rule; a proposal can only be considered within the cycle that it has been submitted.

For proposals received on time, the first screening check that the Secretariat should make is whether the proposals satisfy the eligibility criteria. Any that do not satisfy the eligibility criteria should be disqualified. The basis for the disqualification should be recorded in a report to be submitted to the Technical Team and Management Committee. Once the Management Committee has accepted the disqualification the relevant proposers should be notified in writing.

For all proposals that pass this check, it is the responsibility of the Secretariat to review the quality and completeness of the submission, and to seek from the relevant proposers any clarifications or missing

detailed information, in order to prepare packages in a form and of a standard required by the Technical Team, Advisory Board and Management Committee. The Secretariat has no right to filter out proposals on any basis other than failure to pre-qualify or satisfy eligibility criteria. However, the Secretariat may include in the packages to go through appraisal any objective assessment of the proposer or proposal, to the extent that these may be relevant to the likelihood of successful project implementation. Submission of the proposal packages to the CRGE Facility Secretariat signals commencement of the Appraisal Process (see section 10 of this Manual).

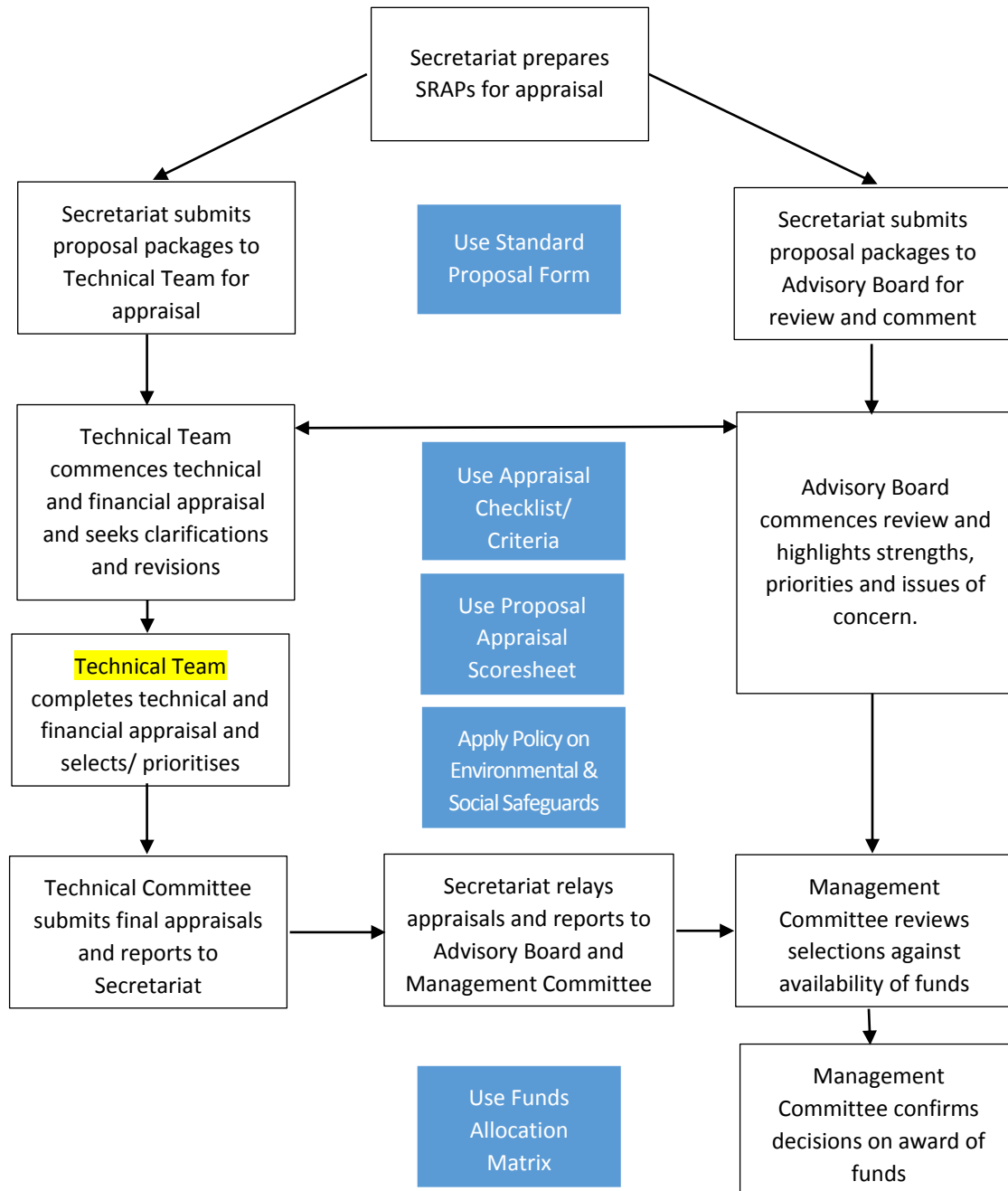
As a way of measuring the Secretariat's performance in managing demand, the failure of a proposal to pass screening is an indication that the Secretariat performed inadequately in the task of guiding qualified proposers. It suggests that, in order to make better use of the time and resources of The Facility, in future cycles the Secretariat should be more stringent in dissuading inappropriate or uncompetitive proposals.

## Section 10: Appraising Applications

### 10.1 The Appraisal Process

The allocation of responsibilities within the appraisal process and the overall workflows summarised in section 9 of this Manual, the process for appraising applications to the CRGE Facility is illustrated in Figure 10.1.

Figure 10. 1 The CRGE Facility Appraisal Process



The process commences with submission by the Secretariat of proposal packages (excluding any that have been filtered out due to ineligibility of failure to pre-qualify, as described in Section 9) to the Technical Team. The process ends with final decisions by the Management Committee on which proposals will be awarded funds in this cycle, and recommendations on when any other technically approved proposals may be able to receive funds, and what actions The Facility needs to take in order to mobilise additional funds.

The design of the appraisal process reflects the expectation that there will generally be far more worthwhile proposals for The Facility to support than there are funds available to support them. It is therefore essential that rigorous processes are applied to appraise the technical merits of proposals and prioritise the allocation of finite funds.

## 10.2 Initiation of the Proposal Appraisal Process

It is the responsibility of the Secretariat to ensure that the appraisal process is efficient as possible. At the outset this requires that, for those proposals that have passed screening, complete and well organised packages are available for circulation and appraisal.

SRAPs will be sent to the Secretariat with the following (for each proposal to be submitted for appraisal):

- The eligibility checklist (to confirm that eligibility has been assured);
- The proposer's completed Standard Proposal Form<sup>38</sup>;
- Additional information/clarifications obtained by the Secretariat during the screening process.

The Secretariat should prepare an overall report that:

- Lists the proposals that have been passed for full appraisal;
- Lists the proposals that did not pass screening, including explanations for the rejection;
- Summarises the appraisal timetable as currently envisaged (but which may be modified if circumstances require).

Allowing some time for obtaining final clarifications, the Secretariat should have SRAPs and summary reports ready for circulation within two weeks of the proposal submission deadline.

The overall report and all information in the proposal packages should be in electronic format.

## 10.3 Technical and Financial Appraisal

The Technical and Financial appraisal will be undertaken by the Secretariat. The appraisal includes assessment of the technical merits and finance that the proposed investment merits, in order to achieve the proposed results. The full scope of the appraisal is defined in the Appraisal Methodology<sup>39</sup>.

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<sup>38</sup> A copy of the Standard Proposal Form has been included in Annex 10(1).

SRAPs are submitted to the CRGE Facility Secretariat for appraisal. The appraisal is an expert assessment of the SRAP against pre-defined criteria to determine if plans are technically valid, demonstrate financial viability relevant to the type of investment requested and are of sufficient ambition and credibility to warrant investment by the Facility. There are two stages (with formal feedback paths between each):

1. **Review.** The first stage is review by the CRGE Facility Secretariat and the CRGE Technical Team . This work will produce a report on technical validity (whether the proposed interventions will meet the targets set) and financial viability (in the context of the available finance).
2. **Revision.** The second stage is revision by the sector. The line ministry will take the feedback and finalise the SRAP as appropriate. Following consultation with partners within the sectors, the line ministry will then resubmit the SRAP to the CRGE Facility Secretariat for final endorsement.

Once complete, the function of the Advisory Board is to review the proposals to identify any concerns that development partners might have, so that these can be highlighted and taken into consideration by The Facility's decision-makers.

### 10.3.1 Preliminary Review

The members of the inter-disciplinary Technical Team will initially have 10 working days<sup>40</sup> to review the information that has been circulated to them and to identify what clarifications or further information is required to complete effective technical appraisals. In order to make this preliminary review, the members of the Technical Team should refer to the three primary appraisal documents, namely:

- The Appraisal Methodology, which will help prompt the appraiser to check for the availability of required information;
- The Current Appraisal Criteria<sup>41</sup>, in order to determine whether there is adequate information to fully assess the proposal; and
- The Proposal Appraisal Scoresheet<sup>42</sup>, in order to determine whether objective comparative scoring will be possible.

While not yet needing to undertake detailed appraisals, application of the standard appraisal process at this stage will ensure that the preliminary review is objective and thorough. The conclusions from this preliminary review should be relayed to the Secretariat, which will then be responsible for liaison with the proposers in order to obtain whatever requested additional information or clarifications can be made available. The Advisory Board should also submit any comments within this time, highlighting in

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<sup>39</sup> A copy of the CRGE Technical Appraisal Methodology has been provided in Annex 10(2).

<sup>40</sup> If an exceptionally high volume of proposals have been passed for appraisal then this period may be extended, by authorisation of the Management Committee. Where such extensions apply, this will be made clear in the timetable that the Secretariat includes with the proposal packages.

<sup>41</sup> A copy of the current Appraisal Criteria has been provided in Annex 10(3).

<sup>42</sup> A copy of the Proposal Appraisal Scoresheet has been provided in Annex 10(4).

particular any additional information or clarifications considered to be necessary<sup>43</sup>. A further period of 10 working days is allowed for obtaining requested information from proposers, which should be circulated to all members of the Task Force and the Advisory Board as soon as it has been received and collated by the Secretariat.

Assuming that the process so far has followed standard timescales, approximately six weeks will have elapsed since the proposal submission deadline (two weeks having been allowed for each of screening by the secretariat, preliminary review and obtaining additional information).

### 10.3.2 Detailed Technical and Financial Appraisals

Unless the volume of proposals to be appraised is abnormally high, or the information provided by proposers remains deficient, the Secretariat completes detailed appraisals, and proposal selection and prioritisation within three weeks of receiving clarifications. Where the quality of SRAPs/TRAPs is weak, the Technical Team will provide feedback and support to build quality.

The Secretariat completes the appraisals by scoring each proposal against the Technical and Financial Evaluation Categories listed in Figure 10.2.

**Figure 10. 2 Technical and Financial Appraisal Categories**

Category #	Description
1	Compliance with technical standards <sup>44</sup> , with those not complying being sent back to IEs with recommendations for improvement
2	Fit with current strategic priorities, and which should be considered for immediate funding. Proposals that are technically sound but not fully aligned with current strategic priorities and which should therefore be considered for deferred funding.
3	<b>Technical validity:</b> (1) contribution of SRAP to green growth - framed as a broad objective incorporating a range of growth indicators (jobs, income distribution etc.) as well as emissions; (2) contribution of SRAP to reducing vulnerability and building climate resilience – again framed using a practical basket of indicators and evidence; (3) the ability of the SRAP to promote a range of cross-cutting issues including social inclusion, and the approach to women and girls and other vulnerable groups in particular. Compliance with these requirements is assessed verified using a Social inclusion safeguards mechanism and (4) the technical practicality/feasibility of the proposed interventions.

<sup>43</sup> The Advisory Board will also have available the three primary appraisal documents that they can refer to in conducting their review as considered appropriate.

<sup>44</sup> Through rigorous application of the policies and procedures described in this Manual, the expectation is that any proposal that is passed for technical evaluation would have the potential to receive funding. Therefore a category for proposal rejection has not been included.



Category #	Description
5	<b>Financial validity:</b> (1) sustainability of interventions at the end of requested Facility funding; (2) financial leverage, if any, provided by the investment (with specific metrics); (3) financing modalities requested in terms of a) relevance, b) potential for results based elements within funding requests; (4) availability of funds
4	<b>Implementation validity:</b> (1) the feasibility from a program management and delivery perspective of the proposed activities; (2) the role of non-state actors (private sector and civil society) in the delivery of the proposed activities – when only state actors are proposed this needs to be justified with an explanation as to why this is the best delivery mechanism.
5	<b>Monitoring and evaluation:</b> (1) plans for proposed investments, focused on a) data availability, b) alignment with SRM M&E requirements; and (2) results framework of investments, aligned to overarching CRGE objectives on a) GHG mitigation or avoidance, b) reduction of vulnerability, c) contribution to economic development.
6	<b>Compliance with Social and Environmental safeguards of the Facility/CRGE and social inclusion</b>

The CRGE Facility Secretariat (Financial Unit and Technical Team) consists of sector specialists from across the government, secondees technical assistance from development partners and sector specialists (drawn from a pool of highly experienced and potentially international specialists).

The appraisal output is a summary report on SRAPs and annual investment plans, which will, among other things, critically review prioritised interventions and trade-offs, areas of risk for non-delivery and contribution of investment packages to national CRGE objectives.

In determining their assessments, members of the Secretariat will apply The Facility’s Policy on Environmental and Social Safeguards and its policy on social inclusion to each proposal<sup>45</sup>. Where proposals do not satisfy these policies, substantial re-workings will be made to ensure they can satisfy the policy before they merit the award of CRGE funds from the Facility.

The process should be concluded with an Appraisal Meeting; normally up to one day should be allowed for this meeting, the time to be adjusted to reflect the volume of proposals under consideration. The Chair of the Technical Team should ensure that available time is used fairly so that all proposals receive due and proper consideration. The standard agenda for the Technical Appraisal Meeting is detailed in Figure 10.3; this can be amended by the Chair, with the agreement of a majority of the remaining members of the Committee.

<sup>45</sup> A copy of The Facility’s Policy on Environmental and Social Safeguards has been included in Annex 10(5).

Figure 10. 3 Standard Agenda for Technical Appraisal Meeting

Item	Subject	Indicative Timing
1	<p><b>Orientation</b></p> <p>Review of any issues foreseen; Finalisation of agenda</p>	20 minutes
2	<p><b>Round Up</b></p> <p>All members to advise on the outcomes of their technical appraisals (including presentation of scorings, conclusions of application of environmental and social safeguards, and categorisation for selection/funding)</p> <p>Chair to identify those proposals on which consensus has not yet been achieved, for consideration under item 3</p>	40 minutes
3	<p><b>Consideration of Proposals Subject to Differences of Opinion</b></p> <p>Each proposal to be considered individually so as to identify the specific issues on which members of the Committee have different opinions</p> <p>Specific issues to be discussed in order to understand reasons for differences of opinion</p> <p>Continue discussions until at least two-thirds of the participants agree on which Technical Appraisal Category to assign each proposal (Chair has casting vote if required)</p>	90 minutes
4	<p><b>Review of Proposals</b></p> <p>Review each proposal.</p> <p>Agreement to be reached on the recommendations to be relayed to the proposer, in terms of what improvements/changes are desired, and the extent to which such changes would meet current or anticipated priorities</p> <p>Should disagreement surface, continue discussions until at least three-quarters of participants agree on Evaluation Categories in each proposal (Chair has casting vote if required)</p>	90 minutes
5	<p><b>Proposed Funding Allocations</b></p> <p>Based on the conclusions drawn on alignment of proposals with terms of Strategic and Targeted Allocations, and through reference to the Statement of Availability of Funds, the Secretariat develops recommendations on which proposals should receive what amounts from available Strategic and Targeted Allocations.</p>	60 minutes

Item	Subject	Indicative Timing
	As a result of this process the Meeting will produce a final summary of recommendations on allocation of funding to each selected proposal (categories 2 and 3), according to agreed priorities	
6	<p><b>Wrap-up</b></p> <p>Chair to summarise conclusions drawn from meeting</p> <p>Record of any final concerns or comments from individual members of the Technical Team , in relation to the decision reached</p>	20 minutes

The Appraisal Meeting will be carefully minuted by the Secretariat, the record to be organised according to the items specified in Figure 10.5 (or whatever revised agenda is agreed for a meeting), the minutes to distinguish between:

- Issues raised;
- Matters on which consensus could not be reached; and
- Decisions reached, including the basis for these decisions.

The minutes and all associated documentation will be submitted by the Secretariat for consideration by members of the Management Committee and the Advisory Board. The Advisory Board should be invited to submit opinions on the conclusions and recommendations, for the consideration of the Management Committee.

## 10.4 Management Assessment

The management assessment has three primary purposes, namely to:

- Assure that the technical appraisal has complied with due process and therefore accept the conclusions reached through the Appraisal<sup>46</sup>;
- Factor in the opinions expressed by the Advisory Board in determining optimum allocation of available funds; and
- On the basis of the conclusions and recommendations of the Technical Appraisal Meeting, determine funding allocations for the current cycle.

The second of these will be a complex undertaking, for each selected proposal needing to balance the following considerations:

- The strategic prioritisation;
- The schedule of funds requirement over the lifetime of the proposal<sup>47</sup>;

<sup>46</sup> The Management Committee has no right to question the substance of the technical appraisals, only the manner in which decisions were reached. The role of the Management Committee in this regard is quality assurance.

- The total funds that are immediately available to meet the needs of the proposal, broken down by availability from the Facility and International Accounts;
- The degree to which the characteristics of the proposal satisfies the conditions or earmarks associated with immediately available funds;
- Realistic projections for new funding to be secured that could be allocated to the proposal (indicating amounts and timing).

During the two weeks following completion of the Technical Appraisal, the Secretariat undertakes detailed financial analysis, following the framework illustrated in Figure 10.4.

**Figure 10. 4 Framework for Financial Analysis**

<b>Parameter</b>	<b>Programmed Window</b>	<b>Responsive Window</b>
Prioritisation	Assigned by SRAP and verified by appraisal	Assigned by SRAP and verified by appraisal
Total funding requirement	Stipulated in proposal	Stipulated in proposal
Breakdown of total funding requirement	Stipulated in the proposal, assessed by Finance I Team, where relevant with clarifications/discussions with IEs	Stipulated in the proposal, assessed by Finance Team with respect to earmarks against funds available to the Responsive Window (from Targeted Agreements, and remaining from Strategic Agreements if required and agreed by Finance Partners)
Analysis of total funds availability	Assessment of amount of pooled funds available against the requirements stipulated in the SRAP/investment plans	Assessment of amount of funds available against the requirements stipulated for each relevant earmark against funds available to the Responsive Window
Schedule of funding requirement	Broken down by each year of the proposal's life; stipulated in proposal;	Broken down by each year of the proposal's life; stipulated in proposal;
Analysis of availability of funds according to schedule of requirement	Assessment of amount of funds available, for each year of the proposal's life – this represents the Proposal's Optimised Funding Allocation	Assessment of amount of funds available against the requirements stipulated for each relevant earmark against funds available to the Responsive Window, for each year of the proposal's life – this represents the Proposal's Optimised Funding Allocation

<sup>47</sup> Generally proposals are likely to cover large scale projects to be implemented over around three to five years. The total funding requirements will often exceed the funds immediately available to The Facility, and therefore funding allocations will need to consider the amount to initially commit in the expectation of additional funding to become available as the proposal is implemented.

Parameter	Programmed Window	Responsive Window
Analysis of source of funds	With reference to the Proposal's Optimised Funding Allocation, identify the level of funding available from the Facility Account, and how much of the remaining amounts are available from the International Account	With reference to the Proposal's Optimised Funding Allocation, identify the level of funding available from the Facility Account, and how much of the remaining amounts are available from the International Account
Analysis of outstanding funding requirement	By comparing the Proposal's Optimised Funding Allocation to the respective schedule of funding requirement, project the amount of funds that will be required and when, with respect to each relevant parameter of the CRGE Strategic Framework	By comparing the Proposal's Optimised Funding Allocation to the respective schedule of funding requirement, project the amount of funds that will be required and when, with respect to each relevant earmark against funds available through the Responsive Window

The Secretariat then needs to generate scenarios for the allocation of available funds, taking into consideration the competing merits of selected proposals. The two base scenarios to be generated are:

- Scenario 1: all available funds to be allocated to the priority 1 proposal; any remaining funds to be allocated to the priority 2 proposal; and so on until all available funds have been allocated; and
- Scenario 2: all funds to be allocated to each proposal in proportion to their prioritisation. For example, if three proposals are selected then priority 1 proposal receives 50% of available funds, priority 2 proposal receives 33% of available funds and priority 3 proposal receives 17% of available funds.

These two scenarios represent reference points for the consideration of the Management Committee, rather than allocation proposals. Many different allocations could be determined by the Management Committee, which among things will need to consider the impact of not being able to secure future funding for selected proposals (once the allocation of immediately available funds is exhausted).

## 10.5 Resource Allocation Decision

The Secretariat's analysis is completed in time for the Management Committee Funding Meeting, which should take place within 15 working days of the Secretariat's receipt of the recommendations from the Technical Appraisal Meeting.

This comprehensive preparation should ensure that the Management Committee Funding Meeting can be completed efficiently and effectively. The Chair of the Management Committee should ensure that available time is used fairly so that the competing merits of all selected proposals receive due and proper consideration. The standard agenda for the Management Committee Funding Meeting is

detailed in Figure 10.5; this can be amended by the Chair, with the agreement of a majority of the remaining members of the Committee.

**Figure 10. 5 Standard Agenda for Management Committee Funding Meeting**

<b>Item</b>	<b>Subject</b>	<b>Indicative Timing</b>
1	<p><b>Orientation</b></p> <p>Review of any issues foreseen; Finalisation of agenda</p>	20 minutes
2	<p><b>Compliance Check</b></p> <p>Review of the minutes of the Technical Appraisal Meeting (and proposal packages as required) to assure that due process has been followed</p> <p>Approval requires consensus.</p> <p>Chair confirms which proposals to be further considered (or, in the event of systemic concerns over due process, adjourns the meeting)</p>	30 minutes
3	<p><b>Briefing on Funding Scenarios</b></p> <p>The Coordinator of the Facility to present the findings of the financial analysis, initially in terms of the analysis conducted for each selected proposal, and then by presentation of the two standard scenarios for allocation of available funds to multiple selected proposals</p> <p>Chair to facilitate questions and answers so that Committee members have grasp of the main issues that should determine allocation of available funds</p>	60 minutes
4	<p><b>Development of Optimum Funding Scenario</b></p> <p>Chair to facilitate discussions that arrive at agreement on the optimum basis on which to allocate available funds to selected proposals. The rationale must be clearly stated and confirmed to be understood by each member. Approval requires the agreement of at least 75% of members; the Chair has the casting vote</p> <p>Given the agreed optimum basis for allocation of funds, revised Optimum Funding Allocations are generated for each relevant proposal. These are then contrasted to the respective schedule of funding requirement to determine what available funds can be allocated to selected proposals</p> <p>If this process does not generate acceptable results then the optimum basis for allocation of available funds should be revisited and the process should be reiterated until it generates allocations that are acceptable to a minimum of 75% of members</p>	90 minutes

Item	Subject	Indicative Timing
5	<p><b>Approval of Funds from the National Account</b></p> <p>The allocations generated by step 3 should include breakdown of funding requirement, identifying the amounts required from each of the Facility and International Accounts, further broken down by amounts relating to parameters in the CRGE Strategy Framework (for the Programmed Window) or earmarks against funds available to the Responsive Window</p> <p>For amounts required from the Facility Account, members should be asked to approve or otherwise the recommended allocations. Approval requires consensus</p> <p>Having approved allocations from the Facility Account, funding allocations to be requested from the International Account should be identified</p>	60 minutes
6	<p><b>Wrap-up</b></p> <p>Chair to summarise conclusions drawn from meeting, including confirming funding allocations approved from Facility Account and to be requested from International Account</p> <p>Record of any final concerns or comments from individual members of the Management Committee, in relation to the decision reached</p>	30 minutes

The Funding Meeting will be carefully minuted by a member of the Secretariat, the record to be organised according to the items specified in Figure 10.6 (or whatever revised agenda is agreed for a meeting), the minutes to distinguish between:

- Issues raised in relation to prioritisation;
- Matters on which consensus could not be reached; and
- Decisions reached, including the basis for these decisions.

When required for funding from the International Account, and where required by the rules of the International Account, a further meeting of the Management Committee, configured according to the rules of the International Account will be held, convened within five working days of the first using the minutes of the Management Committee Funding Meeting as the basis for discussions.

The scope of the second meeting is to consider the requests for funding allocations from the International Account, and for each request to:

- Approve the requested allocations, or
- Conditionally approve requested allocations, stipulating what conditions need to be satisfied, or
- Reject the requested allocations, explaining why they are not acceptable.

Approval requires consensus of the voting members of the meeting. Again the meeting will be carefully minuted, by a member of the Secretariat, the conclusions to be reported back to the Chair of the Management Committee. Where funding requests have been approved the Chair will initiate the funding award process; should certain requests be rejected the Chair may convene appropriate members of the Task Force and Management Committee to determine what alternative course of action should be pursued.

The minutes and all associated documentation from the funding allocation process will be collated and circulated by the Secretariat, to appropriate members of the Ministerial Steering Committee, Management Committee, Implementing Entities and Advisory Board for information. This will ensure that the entire process is transparent.



## Section 11: Approval, Disbursement and Implementation Management

### 11.1 Allocation of Responsibilities

The key allocation of responsibilities within the disbursement process are summarised in Figure 11.1.

**Figure 11. 1 Summary of Roles and Responsibilities within the Disbursement Process**

SRM step	IEs	MOFED (CRGE Facility Secretariat)
Implementation and Delivery	<ul style="list-style-type: none"> <li>• Delivery of all approved and financed investments</li> <li>• Management of EE's for deliver, through regions</li> </ul>	<ul style="list-style-type: none"> <li>• Due diligence on implementing and executing entities where relevant</li> <li>• Timely disbursement of funds</li> <li>• Receipt and analysis of reporting</li> </ul>

The critical processes to be conducted in approving and managing MOUs, and disbursing and controlling the use of CRGE Facility funds, are described below.

### 11.2 Confirmation of Approvals

The decisions reached through the Appraisal process should be communicated to the relevant IE . For those IEs to be allocated funds, discussions progress to confirmation of terms of agreement (see section 11.2). Otherwise, careful discussions need to be held with IEs, either:

- Where proposals have been technically approved but for which funding cannot yet be made available, to discuss when funding is expected to become available, and determine the implications of the estimated timing for the proposer, and
- Where proposals were not technically approved, to clarify what improvements are sought, and to clarify how the proposals can be best aligned with The Facility's strategic priorities.

The remainder of this section of the Manual considers the steps to be taken for those proposals that have been approved for the allocation of funds from The Facility.

### 11.3 Implementation Management Work Flow

The implementation management process to be followed is the same for funds approved through the Programmed and Responsive Windows:

For funds approved through the Programmed Window or responsive Windows, MOUs<sup>48</sup> defining the ‘contractual’ relationships between the CRGE Facility and the relevant Implementing Entity and Executing Entities will be developed. Accordingly, the IE then formally accepts responsibility for assuring utilisation of funds in compliance with the terms of the MOU, and for reporting to the CRGE Secretariat on performance against it.

## 11.4 Finalisation of Terms for Funding of Approved Actions

The steps to be followed under the Programmed and Responsive Windows are summarised in Figure 11.2.

**Figure 11. 2 Processes for Finalisation of Contractual Arrangements**

Step	Programmed and Responsive Windows
1	Prior to transferring funds to the Designated Account of an IE, The Facility will, based on the standard CRGE Facility MOU for Implementing Entities <sup>49</sup> , finalise an agreement setting out the specific terms and conditions regarding receipt and management of funds from The Facility, and ensuring that the IE is responsible for the activities specified in its proposal, in accordance with the decisions of the Management Committee and the requirements of the National Regulatory Framework.
2	The benefiting IE can carry out their activities through or in collaboration with ‘Executing Entities’. Under such arrangements, the former is fully responsible for tendering, contracting and discharging all commitments and obligations with such third parties. Under circumstances where the IE works in partnership with state and non-state actors, which do not have direct access to facility funding, the two should enter into a ‘Responsible Party Agreement’. This agreement will not alter the terms of The Facility’s MOU with the IE.
3	Under the Standard Agreement, the IEs shall ensure that each activity executed by it or a Responsible Party complies with all rules and procedures for financial and programme performance monitoring, evaluation and reporting, including through implementation of the M&E plan included in the proposal, which should ensure that there will be proper assessment of the relevance and effectiveness of, and measurement of the development impact of the results achieved by, the Approved Action.
4	For those Approved Actions subject to MRV requirements, the CRGE Technical Team will develop the necessary measurement, reporting and verification (MRV) plan. The requirements of the MRV plan will be agreed with the IE and annexed by the Secretariat to the relevant MOU. The MRV plan will be

<sup>48</sup> MOUs refers to whatever specific form of written agreement that The Facility may implement in order to ensure that the involved parties can be held accountable for the responsibilities allocated to and accepted by them.

<sup>49</sup> A copy of The Facility’s standard MOU has been included in Annex 11(1). The standard agreement has been designed to cover all anticipated circumstances, with details specific to individual programmes to be included in the annexes to the agreement. Proposers will be requested to confirm their acceptance of the standard form of agreement when they submit their proposals; the only variation in the final form of agreement should therefore be in the annexes.

Step	Programmed and Responsive Windows
	undertaken by MEF.

The annexes to the standard MOU with the IE or EE will be critical to effective performance management and financial control. In particular the annexes must include:

- The work plan of the Approved Action, as accepted by the Management Committee, incorporating any variations that have during MOU negotiations been agreed by the Secretariat and approved by the Management Committee;
- The expenditure projections associated with the agreed work plan, indicating the purpose and amounts of expenditures making use of funds from The Facility;
- A schedule of funds disbursement, based on agreed expenditure projections; and
- An M&E plan, as accepted by the Management Committee, which defines how disbursements relate to project outputs as well as inputs.

Under the CRGE and Facility M&E Framework, the Facility Secretariat will organise and/or conduct regular monitoring and evaluation, either on each individual programme in the CRGE Facility Portfolio or a representative sample of them from large programmes<sup>50</sup>, to ensure that funds are disbursed and utilised in accordance with the terms specified in the annexes to the standard MOU.

## 11.5 Disbursing Funds

Pursuant to the decisions of the CRGE Facility Management Committee, where funds have been approved from the International Account, MOFED instructs the Administrative Agent in writing to transfer the approved amounts to the Facility Account at MOFED within three to five business days after the decision is made. When making a transfer, the Administrative Agent notifies MOFED of the following:

- The amount transferred,
- The value date of the transfer, and
- That the transfer is from the International Account in respect of The Facility.

These funds are held in the Facility Account until the relevant standard agreements have been finalised and confirmed with the IE (under the Programmed Window) or EE (Responsive Window). If it is not possible to finalise a standard MOU, the funds are returned by MOFED to the Administrative Agent to be retained in the International Account.

Otherwise, on finalisation and confirmation of the standard MOU, within five to seven business days MOFED disburses the agreed funds to the specifically established Designated Account of the benefiting Implementing Entities (under the Programmed Window) or the Approved Accounting Intermediary

<sup>50</sup> Further details on The Facility's approach to M&E are provided in section 12 of this Manual.

(under the Responsive Window). The amount of the initial disbursement will be an advance based on the Approved Action's work programme and cash forecast, and the associated disbursement schedule that is attached to the standard MOU.

Each IE/EE should use the allocated funds to finance eligible expenditures as specified in the project plan attached to the standard MOU. After the initial advance, the IE/EE will in each quarter submit a Fund Withdrawal Application along with Interim (Unaudited) Financial Reports that should be prepared on the basis of transfers to the CRGE Facility in MOFED. Under the Responsive Window, the Withdrawal Application and Financial Reports will in the first instance be submitted to the Approved Accounting Intermediary, who will confirm that the information provided by the EE reconciles with its own records of disbursements. Once records have been reconciled the Approved Accounting Entity will forward the Withdrawal Application and Financial Reports to the CRGE Secretariat.

In cases where, for whatever reason, due funds could not be made available on time by The Facility, the affected IEs/EEs can make a payment based on the CRGE Facility Management Committee Approvals, as defined in the annexes to the Standard MOU, and subsequently can submit a reimbursement request with full supporting document to The Facility. To this effect, MOFED will send a guarantee letter to the IEs/EEs prior to the payment.

## 11.6 Progress Monitoring

Each quarter, on receipt of Fund Withdrawal Applications and associated Financial Records from IEs and Approved Accounting Entities, the CRGE Secretariat will conduct a detailed check of information against the relevant agreements to ensure that funds are being used in accordance with MOU. At all times further disbursements are subject to proof of proper utilisation of funds for the intended purposes, which must be substantiated by the submission of financial and narrative reports to the Secretariat.

As a result of the quarterly review the CRGE Secretariat will categorise each Approved Action and initiate one of the measures described in Figure 11.3.

**Figure 11. 3 Actions Available to the CRGE Secretariat Following the Quarterly Review of Financial Statements**

Conclusion from Review	Project Category	Appropriate Measure
Implementation complies with terms of agreement	A	Confirm 'on-track' status in reports – no further action required
Currently, expenditure less than expected to achieve proposed outputs	B	Confirm 'on-track' status in reports – determine cause of under-spend and set schedule for necessary correction
Currently, expenditure running ahead	C	Confirm 'under watch' status in reports – determine cause of over-spend and

Conclusion from Review	Project Category	Appropriate Measure
of proposed outputs		set schedule for necessary correction
Implementation significantly non-compliant with terms of agreement	D	Refer to Management Committee for contractual review

The four project categories in Figure 11.3 represent snapshots in time. This supports the production of a quarterly portfolio progress report that, in addition to summarising narrative updates provided by the IEs/EEs, can be used to update stakeholders on the status of those approved actions relevant to them. In particular the report, or sub-sets of it, will be circulated as described in Figure 11.4.

**Figure 11. 4 Set Circulation of Quarterly Portfolio Progress Report**

Stakeholder	Information Provided
Management Committee	Status report for complete portfolio
Administrative Agent	Status report for International Account portfolio
CRGE Technical Team	Status report for complete portfolio
Advisory Board	Status report for complete portfolio
Finance Partners	Status report for Actions they have funded
Implementing Entities	Status report for Actions in their portfolio
Approved Accounting Intermediaries	Status report for Actions they disburse to

The reports defined in Figure 11.4 will be distributed within one month of the end of the preceding quarter. Over time, the Quarterly Portfolio Progress Reports guide the CRGE Secretariat on what management measures to take, so as to enable the CRGE governance structure to work as effectively as possible. The associated delegations of authority (DOAs) are summarised in Figure 11.5.

Figure 11. 5 Delegations of Authority Associated with CRGE Facility Portfolio Management

Occurrence	DOA	Measure
At confirmation of Standard MOU with IE/EE, Approved Action assigned to category 1	CRGE Secretariat	Update status report
Quarterly progress review determines that <u>expenditure ahead or behind schedule of results/outputs</u>	CRGE Secretariat	Update status report; put Action on watch. Secretariat to review with IE/EE causes of scheduling changes and agree timetable for bringing progress and expenditure back on schedule. Schedule of correction to be included in next narrative report to stakeholders
Quarterly progress review determines that <u>expenditure has remained ahead of schedule of results/outputs for three consecutive quarters OR previously negotiated schedule of correction is not achieved</u>	Management Committee	CRGE Secretariat refers Action and all pertinent details to MC, which recommends solution in terms of: 1) negotiation of new schedule of correction; or 2) restructuring of terms of MOU; or 3) termination of MOU. MC instructs The Facility on what actions are to be taken; the Secretariat facilitates implementation of desired solution in collaboration with appropriate stakeholders
Quarterly progress review determines that expenditure has remained behind schedule of results/outputs for three consecutive quarters OR previously negotiated schedule of correction is not achieved	CRGE Technical Team	CRGE Secretariat refers Action and all pertinent details to Technical Team, which recommends solution in terms of: 1) negotiation of new schedule of correction; or 2) restructuring of terms of MOU to reflect different schedule of results against expenditure; or 3) restructuring of terms of MOU to allow for reduction of approved funding. The Technical Team instructs The Facility on what actions are to be taken; the Secretariat facilitates implementation of desired solution in collaboration with appropriate stakeholders
As a result of sustained under-expenditure	Management	CRGE Secretariat refers Action and all

Occurrence	DOA	Measure
against schedule of results, <u>CRGE Technical Team recommends reduction in funds allocated to Approved Action</u>	Committee	pertinent details to MC, which recommends solution in terms of: 1) restructuring of terms of MOU; or 2) reduction and reallocation of funding. MC instructs The Facility on what actions are to be taken; the Secretariat facilitates implementation of desired solution in collaboration with appropriate stakeholders
As a result of sustained under-expenditure against schedule of results, <u>Management Committee decides to reduce funds allocated to Approved Action</u>	Finance Partners	CRGE Secretariat refers relevant information to those Finance Partners that have approved funds to the affected Action, and facilitates negotiations to determine adjustments to disbursements made by individual Finance Partners. The outcome of the process is an adjustment to the Statement of Availability of Funds

Adhering to the DOAs and following the measures defined above will ensure that every Approved Action in the portfolio remains under appropriate levels of control at all times, and that the funds that have been made available to The Facility are allocated to optimum effect.

## 11.7 Organisation of Accounting Systems and Procedures

The CRGE Accounting Rules and Regulations are described in more detail in section 6 of this Manual. Once a standard MOU has been finalised the relevant IE/EE should assign appropriate signatories in accordance with government financial rules and regulations to operate the bank accounts. The signatories have the overall responsibilities to ensure that disbursements are authorised and effected in line with the procedures pertaining to government funds.

The IE/EE is also responsible for ensuring that all entities involved in implementation of the Approved Action (Responsible Parties) and that will receive funds originating from The Facility is able to adequately report on the receipt and utilisation of those funds, on a timely basis. Financial reporting to the IE/EE must be organised so as to satisfy The Facility's standard requirements for financial reporting<sup>51</sup>. Given The Facility's tight timescales for financial reporting, arrangements may need to allow for provisional reporting from Responsible Partners, so that required information is provided pending any reconciliations to be conducted by the Responsible Parties.

<sup>51</sup> See section 6.3 of this Manual.

## 11.8 Progress Reporting

In accordance with procedures for financial reporting, all progress reporting – which will incorporate financial reports – will be performed on a quarterly basis, with an annual report providing additional information on conclusions drawn from on-going M&E<sup>52</sup> and the implications of these for future planning.

IEs/EEs are responsible for ensuring The Facility receives the necessary progress reports on a complete and timely basis. The standard contents of a quarterly report is summarised in Figure 11.6.

**Figure 11. 6 Structure of Standard Progress Report**

Section #	Title	Main contents
1	Introduction	Description of Action; confirmation of reporting period; confirmation of parties responsible for producing report with contact details
2	Project plan for the reporting period	Details of the planned inputs and outputs as last agreed for this reporting period
3	Achievement against plan	Details of how the actual execution of activities and achievement of results/ outputs compares to the agreed plan
4	Expenditure against plan for the period	For the reporting period, details of how actual expenditure (by item and amount) compared to plan by time and results/outputs
5	Expenditure against plan to-date	For the lifetime of the Action to-date, details of how actual expenditure (by item and amount) compared to plan by time and results/outputs
6	Causes of any divergence from plan	Narrative on the factors that have caused implementation to be harder/easier than anticipated, changes in circumstances that alter the results possible in the context of the agreed Action, and/or capacity constraints within the IE/EE and other

<sup>52</sup> A summary of monitoring and evaluation requirements is provided in section 12 of this Manual.



Section #	Title	Main contents
		Responsible Parties
7	Measures to address divergence from plan	Details of all schedules of correction where these have already been agreed with The Facility and the status of these, or proposed measures to be taken to bring the Action back on the agreed schedule
8	Review of key risks to success	A summary of any identified factors (including those identified through M&E activities) that, while not yet affecting progress, could do if not appropriately addressed, together with any suggestions on how these issues could be addressed
9	Plan for the next period	A detailed activity plan for the next period, highlighting inputs, expenditures and outputs, and indicating what if any changes have been made to this plan from that last agreed, explaining why these are considered to be justified
10	Annexes	<ul style="list-style-type: none"> <li>• Financial records (including statements from the designated account and cash book)</li> <li>• Any M&amp;E reports for the period</li> <li>• Other substantiating evidence</li> </ul>

IEs/EEs should submit their Progress Reports to The Facility at the same time that they submit their financial reports<sup>53</sup>. Annual reports will follow the same format, only with additional information to show how the remainder of the Action will be reorganised to accommodate the findings of M&E activities.

The Secretariat is responsible for collating information into an overall CRGE Facility Progress Report to provide stakeholders with an overall understanding of how approved actions are contributing to the achievement of the CRGE strategy. In particular the overall progress report will seek to identify:

To what extent the existing portfolio is likely to contribute the expected results;

<sup>53</sup> Under the Programmed Window, both reports go directly to The Facility, so these can be combined. Under the Responsive Window, the EE will simultaneously need to send a financial report to the appropriate Approved Accounting Intermediary.

Lessons learned that might influence future funding decisions, in terms of what constitutes a successful Action or which of the CRGE aims might be hardest to achieve; and Suggestions on prioritisation of future source and application of funds.

The Secretariat will be responsible for circulating each progress report to all stakeholders within six weeks of the end of the preceding quarter. Given The Facility's policy of transparency all overall progress reports should be publicly available.

## **11.9 Procurement Management**

### **11.9.1 General Procurement Arrangements**

Public procurement at Federal level is governed by proclamation no. 430/2005, 'Determining Procedures of Public Procurement and Establishing its Supervisory Agency Proclamation of the Federal Democratic Republic Government of Ethiopia' dated January 12, 2005 and the 'Federal Public Government Procurement Directive' of July 2005. The Proclamation has been reviewed by the World Bank and found to be satisfactory.

The CRGE Facility follows the national and World Bank procurement procedures, which are currently applied and used for all public procurements. Regions and line ministers have procurement units which are responsible for procurement using the regional and federal procurement systems. For CRGE related service procurement, regions may not conduct direct procurement; MOFED and line ministries are responsible for direct procurement. When procured through the National Competitive Bidding (NCB) procedures, the national Standard Bidding Documents (SBDs) issued by the federal Public Procurement Agency (PPA) are to be used. The procurement unit within MOFED will conduct procurement of goods and services as defined by the operational manual of the CRGE Facility.

EEs can undertake procurement based in accordance with their principles and regulation. In case their principles and regulations are different from the IEs, they should discuss the issue and agree up on with the IEs. With regard to non-state actors, the procurement procedure should be part of an internal control procedure. This should be done transparently, in line with international best practice and in light of value for money.

All procurement requirements should be indicated in the investment package and expenditure plan attached to the Standard MOU for the Approved Action. Economy, efficiency, transparency and competitiveness should be given due consideration in carrying out procurement. Procurement of goods and services should be based on value-for-money principle and guided by competitive bidding. Price, quality, delivery time and procurement feasibility shall determine the procurement source, modality and delivery mode of the equipment and supply. For bulk procurement of goods and services, the IE/EE can request the services of the federal PPA and the PPA will procure using agency specific rules and regulation. In such cases the IE/EE shall:

- Ensure availability of funds to cover cost from approved budgets (including allocation of funds to cover any applicable taxes);
- Ensure the timely identification, in qualitative and quantitative terms, of goods and services to be procured and prepare purchase requisitions with technical specifications/descriptions indicating the essential characteristics of each item; and
- Prepare and submit purchase requisitions to the procurement agency, with any necessary clarifications between the procurement officer and the requisitioning agency taking place prior to the issuance of solicitations documents or other forms of contact with the suppliers.

The PPA shall advise the respective national implementing entities on the arrival of the equipment, arrangements for customs duty/tax payment and dispatch of equipment to the programme/project site. The procurement organisation will also notify the national implementing entities of the list of equipment with the cost of each item.

### 11.9.2 Procurement of Specialised Services

An IE/EE may require support for highly specialised Technical Assistance (TA) to implement their Approved Actions, which should be identified in their expenditure plans. Where these expenditures are defined in the Standard MOU or have otherwise been authorised by The Facility, the IE/EE shall advertise such vacancies in the local as well as international media, and remuneration should be competitive depending on the existing market price and expertise required. The IE/EE will be directly responsible for the recruitment and then entering into a formal agreement for the supply of services in consultation with MOFED. For regional IEs, the line sector ministries in collaboration with MOFED will handle the recruitment of such expertise. IEs and EEs can also seek the support of participating international organisations to select and recruit the Technical Assistance (TA). In such cases, the implementing line ministries shall prepare and endorse terms of reference with the support of MOFED and the administrative agent, participate in the selection process and finally endorse the selection in writing. The selected TA provider will be directly accountable to the IE/EE and will work under the direct supervision of individual assigned by the line ministry.

The recruitment and remuneration rate for national consulting firms should be set based on results expected, complexity of the assignment and the quality of the work and the competencies, qualifications and years of experience required to discharge the duties in the TOR. Additionally, the following points should be taken into account when negotiating the rate with the national consultants:

- The expected output and the methodology used as elaborated in the TOR or technical proposal submitted by the consultant;
- The technical/professional competence (relevance) of the consultant for the assignment;
- The experience of the consultant (or firm) as elaborated in the CV or profile;
- Performance Evaluation record of the consultant/ firms, including whether the consultant has had prior experience with Facility-assisted programmes/projects or other associated organisations;
- Feedback given by references or former employers about his/her performance; and

- Payment history of the consultant/firm in similar or comparable institution(s) and or positions.

The remuneration rate for national individual consultants/resource persons from other areas will be payable by the Implementing Partner/Responsible party based on prevailing approved rates<sup>54</sup>.

If the resource persons are employees of a government institution they should provide evidence that they are on approved leave.

### **11.10 Reallocation of Funds**

Funds from the CRGE Facility are not entitlements that can be carried over to the following years of implementation. If a benefiting national implementing entity is not utilising the approved funds within the given budget year, The Facility's Management Committee may decide to re-allocate the resources, either to reinforce the efforts of high impact programmes or to address identified shortages of funds. However, any such reallocations may only be exercised with the mutual agreement of the Management Committee and relevant contributors<sup>55</sup>.

Where a reallocation is approved, it will be applied at the end of the third quarter of Ethiopian Fiscal Year based on decisions reached by the Management Committee in agreement with Finance Partners.

### **11.11 Suspension and Termination**

At any stage of the implementation cycle, either at its discretion or following an independent evaluation, the concerned IE may recommend to The Facility that a supported reduction action be suspended or cancelled, in the event of one or more of the following:

- Financial irregularities in the implementation of the action;
- Material breach of terms of MOU; and
- Poor implementation performance leading to a conclusion that the action can no longer meet its objectives are shown or become likely to occur.

In addition The Facility can recommend to an IE/EE that a supported reduction action be suspended or cancelled if it detects any of the above. In all cases and before taking a final decision as to whether to suspend or cancel an on-going reduction action, the concerned IE and/or EE should be given a fair chance to present its views. All decisions to cancel or suspend have to be authorised by the Management Committee.

### **11.12 Complaints Processing and Resolution**

The CRGE Facility is committed to being proactive in efforts to ensure accountability to all citizens of Ethiopia as well as financial and implementation partners. To this end The Facility will always operate in

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<sup>54</sup> A list of prevailing approved rates is provided in Annex 11(5).

<sup>55</sup> See section 11.6 for details of reallocation approval processes.

a transparent way, so that information relevant to the use of funds and the implementation of Approved Actions is available either on-line (via the Facility’s website) or by directly requesting it from members of The Facility.

As part of the policy of transparency, The Facility will at all times make readily available contact details so that any interested party can obtain or otherwise request necessary information or advice through The Facility web site, via e-mail, letters, telephone calls, third parties such as Ministers, and the press. Current contact details are listed in Figure 11.7. All these details will be publicised through regional and local implementation partners as well as NGOs to ensure citizens are aware of both their rights to information and redress, and the channels available to them.

**Figure 11.7 Current Contact Details for The Facility**

Channel	Details
Facility website	
Email	
Written correspondence	
Telephone	

It is The Facility’s policy that all complaints are treated seriously, with sympathy and empathy, using them as an opportunity to learn. Confidentiality is also a major consideration, given the highly sensitive nature of some allegations against organisations or individuals. The secretariat will ensure that all comments and feedback are responded to.

All enquires and complaints should be handled by the Facility Secretariat in the first instance. A formal investigation of a complaint can only instigated once it has been presented in writing, with at least the following information included:

- The name and contact details of the party (individual or entity) against which the complaint is being made;
- Details of the complaint and preferably how it is deemed to bring The Facility into disrepute;
- Where appropriate, written permission from the complainant to discuss the details of their complaint with the organisation and/or individuals concerned (this does not include disclosing their identity, although complainants need to be aware that it might be easy for the organisation to identify them from their individual complaint); and
- Which communication medium the complainant wishes us to use to keep them informed of progress towards resolution.

Once a complaint has been received in writing, the Secretariat will determine whether it is a genuine complaint or not before passing it to the Management Committee for action.

The Secretariat will then ensure that the complainant receives some form of response. In most cases this will be a written acknowledgement using e-mail or letter, unless the complainant's preferred communication method is the telephone. If this is the case then the detail of the conversation will be recorded.

The details of the complaint and associated information will then be entered into The Facility's records. Each complaint should be allocated a numeric identifier, which should be quoted on all written correspondence, should the complaint require formal investigation.

All Implementing and Executing Entities will be required to set out how they will ensure accountability and manage grievances.

## Section 12: Monitoring, Evaluation and Reporting

### 12.1 Allocation of Responsibilities

The allocation of responsibilities within the monitoring and evaluation (M&E) process are broadly the same for both the Programmed and Responsive Windows. These are summarised in Figure 12.1

**Figure 12. 1** Summary of Roles and Responsibilities within the M&E Process

SRM step	Implementing Entities	CRGE Facility (Secretariat)
Monitoring, Evaluation, Reporting Results	<p>Develop SRAPs including results targets and milestones to contribute to CRGE implementation.</p> <p>Monitoring of all programme activities implemented in the sector/region</p> <p>Support executing entities in designing and implementing M&amp;E systems</p> <p>Receive reporting from EEs</p> <p>Quarterly reporting to Facility on process, implementation and results/ outcomes</p> <p>Facilitate and engage with any independent reviews and evaluations</p>	<p>Finance Team:</p> <p>Develop and implement M&amp;E strategy and results Framework for CRGE Facility</p> <p>Conduct monitoring and follow up of implemented programmes</p> <p>Coordinate review missions by contributors and other key stakeholders</p> <p>Receiving, quality assuring and collating reporting from implementing entities against agreed targets and milestones.</p> <p>Reporting on finance and delivery to MC</p> <p>Coordinate review meetings with IE's and EE's</p> <p>Technical Team</p> <p>Provide guidance and templates to Implementing Entities to design targets, milestones and to monitor progress.</p> <p>Technical MRV support (tools, support, follow up)</p> <p>Technical quality assurance on high level results targets</p> <p>Conduct periodic field visits to programme sites</p>

SRM step	Implementing Entities	CRGE Facility (Secretariat)
		Technical quality assurance on progress reports  Collating results to build comprehensive picture of CRGE implementation through CRGE Registry (beyond Facility funding)  Commission independent evaluation at mid-term and end of programme implementation

Monitoring, evaluation and reporting is primarily the responsibility of the Government represented by MOFED, and executed by The Facility.

- Specific responsibilities under the M&E programme will be assigned to Implementing and/or Executing Entities;
- Additional independent evaluation will be commissioned as required;
- Financial Partners will participate in selected aspects of M&E; and
- As required The Facility will engage qualified specialists to assist in the design and execution of the M&E strategy.

The critical processes to be conducted in M&E, and reporting results, are outlined below.

## 12.2 Scope of Monitoring and Evaluation

Monitoring and Evaluation (M&E) mechanisms and approaches are essential management tools to help assess performance of the Facility and the activities it finances, the extent to which progress can be attributed to those activities, and to assess how far key cross-cutting issues such as gender, disability, and environmental sustainability are being addressed effectively. Regular monitoring and reporting allows the Government of Ethiopia to track performance, promote accountability and inform management decisions.

M&E should inform and drive improvement of on-going and future programme implementation and planning. Evaluation promotes accountability and learning. Independence and objectivity are essential.

Evaluation involves systematic and objective measurement of the results achieved by the Facility and through its financed programs. Evaluation studies can assess the extent to which the project produced the intended outcomes and, where possible, impacts.

Evaluation of the Facility may be commissioned to assess the relevance, coherence and efficiency of implementation, as well as to determine the overall efficacy, impact and sustainability. This will leverage specialist institutions and be independent to ensure objective results.



The CRGE Facility will establish systematic performance monitoring and reporting based on the principles of Results-Based Management (RBM). The Facility's approach to M&E will be designed to foster a culture of learning, transparency and accountability, and thus to ensure informed decision-making. These mechanisms will also be aligned with existing national and sectoral monitoring and evaluation processes, and serve as an input for the national and sectoral review processes.

M&E will be conducted in accordance with the principles and practices that have been developed by MOFED on the basis of extensive practical experience, and drawing on global best practice as appropriate<sup>56</sup>. M&E will be based on logical frameworks (or equivalent results matrixes), regular reporting, field visits and review missions, stakeholder review meetings and the commissioning of independent reviews and evaluations.

The CRGE Facility requires monitoring and evaluation at three levels:

- Assessment of the performance of The Facility,
- Assessment of the performance (individually and collectively) of the actions supported by The Facility, and
- Where appropriate, detailed Measurement, Reporting and Verification (MRV) required by actions supported by The Facility.

Measurement, Reporting and Verification (MRV) of emission reductions and vulnerability outcomes will be relevant to monitoring and evaluation of many programmes, and will provide relevant data. However, MRV is a highly specialised activity and is overseen and coordinated by the CRGE Technical team<sup>57</sup>.

Programmatic monitoring and evaluation and technical MRV will be coordinated by the Facility. Indeed, MRV data will be used to inform regular programme M&E where appropriate. The specific demands of MRV are not addressed by this Manual.

The Facility will ensure that the verified results are properly stored, organised and made available to stakeholders as needed.

### **12.3 Legal and Institutional Framework**

MOFED has been mandated the responsibility to follow up and evaluate the execution of development plans and submit annual reports to the Council of Ministers. MOFED also periodically submits reports on

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<sup>56</sup> As summarized in the publication, "Guidelines for Monitoring and Evaluation of Public Sector Projects", June 2008.

<sup>57</sup> The framework is intended to serve as a guide for ensuring GHG emissions and climate vulnerability baselines, projections, targets and reported achievements conform to UNFCCC protocols and international best practices in order to establish SRM as a credible, results-based mechanism for climate investment. It complements the application of existing protocols in Ethiopia (CDM, REDD) and supports development of similar protocols for other sectors and for climate resilience programmes. The MRV principles of UNFCCC for Comparability, Consistency, Accuracy, Transparency and Completeness will be applied to programme and project level reporting from SRM.

the Federal Government's financial operation and situation to the Council of Ministers. Likewise, MOFED is fully accountable for all resources received by the CRGE Facility, and has the responsibility to account and report on implementation and utilization of all resources at all levels. Thus MOFED has the responsibility to monitor, evaluate and receive reports from Federal IE's, Regional IE's and lower level administration units.

Proclamation No. 41/1993 entrusted executive organs of regional states with the legal power of undertaking monitoring. Article 52 of the proclamation gave regional Bureau of Finance the power and duties of preparing, consolidating and submitting annual budgets to the executive committee of regional states and to administer the approved budget. Article 54 of the same proclamation entrusted regional Bureau of Planning and Economic Development (BOFED) with the power of reviewing capital budget proposals and, upon approval, follow up the implementation of the same. Accordingly the respective BoFEDs have the responsibility to follow up and evaluate the execution of capital budget, accounts of the regional governments and subsidies granted from the federal government.

All operational roles and responsibilities set out below are in line with this legal and institutional framework.

## **12.4 Guidelines and Principles**

The basic principles of CRGE monitoring and evaluation include that the system should:

- Be intelligible to both Facility staff and programme partners at all levels, and should not require unnecessary reporting;
- Be designed in such a way that it helps to develop the reflective and analytical capabilities of those involved;
- Be able to feed consistent quality information on outputs, outcome and impact into the project planning and management cycle;
- Be responsive and enable effective decision making, and not merely be geared to the collection of information and data;
- Be based upon as wide involvement as is realistically possible and necessary, and should explicitly value the contributions of various stakeholders; and
- Acknowledge the value of alternative sources of information and of the perceptions of local people who have not been directly involved in the project.
- Be cost-effective;

The CRGE M&E system is intended to contribute to:

- Accountability, by providing space for stakeholders to provide feedback and drive improvements;
- Informed decision making;
- A greater focus on achievement of results;

- Empowerment, by providing key stakeholders with essential information and providing opportunities for them to reflect critically on the project's direction and suggest improvements;
- Promotion of institutional learning and knowledge sharing.

CRGE M&E should address:

- Relevance – the extent to which the objectives of an action are consistent with the beneficiaries' needs, country needs, organisational priorities, and partners' and donors' policies;
- Adequacy – an assessment of the adequacy and timeliness of inputs in relation to carrying out project activities;
- Efficiency – refers to how economically the various inputs (funds, expertise and time) have been converted into outputs and outcomes;
- Effectiveness – being a measure of the extent to which a development project achieves the specific objectives it set;
- Impact – whether or not the action has made a difference in addressing the problem that it aimed to address (thus addressing the question “how to outputs and outcomes compare to need?”). This must consider positive and negative as well as intended and unintended results produced by the action;
- Sustainability – the likelihood of continuation of intended benefits after the action has finished; and
- Replicability – the prospects for repeating aspects of the design of the action into other actions that would contribute to the aims of the CRGE.

To achieve these aims it is important that appropriate M&E be undertaken throughout the cycle, from planning, implementation and post-implementation.

CRGE stakeholders have the right and responsibility to contribute and receive information on progress of specific programmes and the CRGE Facility overall. Empowering stakeholders through direct involvement in the process of M&E creates ownership of outcomes, which in turn significantly contributes to the success and sustainability of the initiative. Participatory M&E has the following additional advantages:

- It establishes partnership and increases local ownership of projects;
- It helps provide more timely information for management decision making;
- It strengthens commitment to implement corrective measures;
- It helps empower local communities involved in or affected by the actions, while enhancing local learning, management capacity and skill development; and
- It increases accountability and transparency.

At the same time it should be remembered that it will be necessary to budget adequate time for identifying and involving an array of stakeholders; care must also be taken to avoid domination or misuse of M&E activities by any stakeholder groups.

In presenting M&E results it is important to concentrate on the scope of the needs of the particular stakeholder(s). Reports should enable readers to assess the quality of the evidence by stating clearly the information collection tools, analysis and references. They should refrain from overstating or exaggerating in presenting a case, and should illustrate cases through reference to material that explains the interpretations drawn. Accordingly the basic structure of CRGE M&E reports should largely be as follows:

- Executive Summary;
- Background Information, describing in particular project rationale, goals, objectives and activities, as well as an overview of the project organisational structure or working system as well as the work subject to M&E;
- Description of the M&E and design methodology used, including details of the data collection tools, analysis methods and measures/indicators used, highlighting any material assumptions or methodological limitations;
- The M&E result, describing the changes (desired or undesired) that occurred in relation to the chosen indicators, indicating the quantitative costs and benefits of the project, and its overall effectiveness; and
- Conclusions and recommendations, outlining key lessons and recommendations on how the M&E results can be used as well as on additional M&E work required.

These principles are to be reflected in the design and implementation of all CRGE M&E activities. More detail will be provided in the M&E Strategy, which will be developed in early months of CRGE operations.

## 12.5 Roles and Responsibilities for CRGE Facility M&E

At macro level, **MOFED** is responsible for design and implementation of the CRGE Facility Monitoring and Evaluation Strategy. The Strategy will set out roles and responsibilities in more detail. It will include an overarching results matrix and provide clear commitments and timeframes for routine monitoring and independent monitoring and evaluation.

The **CRGE Facility** receives progress reports of all actions, quality assures these inputs, seeks outstanding information then collates inputs and produces overarching reporting for stakeholders.

The **Management Committee** must approve the Monitoring and Evaluation Strategy, as part of its responsibility to ensure the development of a system for monitoring and evaluation of the Facility's use of resources and operations. The Management Committee will periodically commission an independent 'lessons-learned and review' of the entire operation of the Facility, or can request other independent evaluations as appropriate.

**The M&E teams in Planning and Programme Departments of Implementing Entities** are responsible for ensuring monitoring systems are built into CRGE plans and programmes, and can commission independent evaluation if appropriate. In cases where such teams do not exist or lack capacity, it is the

responsibility of the Ministry or Region, with support from MOFED, to seek additional support and guidance, and ensure compliance with M&E systems.

**Sector Reduction Action Plans** must include a results matrix or Logical framework and financial targets as well as human and material resources required to achieve the intended targets. These serve as the basis for monitoring, reporting and evaluation. Further guidance will be provided to implementing and executing entities by the CRGE Facility, in conjunction with the CRGE Taskforce.

**Executing Entities** must build monitoring into their plans and proposals, and ensure effective monitoring throughout their programmes. All actors must ensure that feedback from **project beneficiaries and other stakeholders** (including non-beneficiaries) is actively sought and feeds into M&E.

Reflecting these requirements, as well as the specific nature of the CRGE initiative, the organisation of specific M&E responsibilities is outlined in Figure 12.2.

**Figure 12. 2 Standard Assignment of M&E Implementation Responsibilities**

Level	Responsibilities
MOFED/CRGE Facility	<ul style="list-style-type: none"> <li>• Design and lead CRGE Facility Monitoring and Evaluation Strategy</li> <li>• Ensure clear roles and responsibilities for M&amp;E clearly assigned and communicated</li> <li>• Provide technical support to government institutions on application of CRGE M&amp;E approaches, methodologies and techniques</li> <li>• The Technical Team provide guidance and support on technical MRV methodologies and techniques and ensure that MRV mechanisms to emissions and vulnerability outcomes are properly and adequately considered and implemented</li> <li>• Ensure that M&amp;E mechanisms are properly and adequately considered by implementing entities before approval and financing of a project</li> <li>• In approving projects for financing, ensure that M&amp;E components of projects have been given due attention and budget allocation</li> <li>• Commission independent M&amp;E as required</li> <li>• Prepare and submit to the Steering Committee quarterly and annual follow-up reports on the progress being made by CRGE actions, individually and collectively</li> </ul>
Implementing Entities	<ul style="list-style-type: none"> <li>• Incorporate M&amp;E systems and budgeting in plans and proposals, and effectively implement monitoring systems.</li> <li>• Seek guidance and support from Facility as needed</li> <li>• Ensure clear roles and responsibilities for M&amp;E clearly assigned and communicated</li> </ul>

Level	Responsibilities
	<ul style="list-style-type: none"> <li>• Make sure that each action is properly monitored (at process, output, outcome and impact levels) and evaluated (during as well as at completion of implementation) and the required data/information are collected, organised, analysed and synthesised into reports of different levels of aggregation, and communicated to relevant stakeholders on a timely basis</li> <li>• Supervise actions under implementation with regular field visits to verify progress reports and to provide guidance</li> <li>• Prepare and submit quarterly progress reports in line with guidance</li> </ul>
Executing Entities	<ul style="list-style-type: none"> <li>• Incorporate M&amp;E systems and budgeting in plans and proposals, and effectively implement monitoring systems.</li> <li>• On the basis of monitoring and evaluation results, adjust as appropriate project preparation, implementation or operation to help achieve the project objectives as efficiently and effectively as possible</li> <li>• Collect detailed data/information on the preparation/implementation and operation processes of the action through regular field visits as appropriate</li> <li>• Regularly (at least quarterly) communicate progress reports to stakeholders, clearly showing inputs, activities and outputs against agreed plan</li> <li>• Commission independent evaluation as needed/required</li> </ul>
Financial Contributors/ Investors/ Donors in the Facility	<ul style="list-style-type: none"> <li>• Regular review missions will provide contributors the opportunity to see implementation in the field, in a coordinated way to minimise transaction costs. MOFED and contributors may negotiate additional monitoring and reporting requirements as part of any Memorandum of Understanding.</li> </ul>

## 12.6 Linking Monitoring and Evaluation Activities

The CRGE will support a multitude of actions, building climate resilience and a green economy in diverse ways. It is essential that all M&E activities adopt a common methodology, so that it is possible to compare individual actions in meaningful ways as well as to aggregate their results so that the impact of the CRGE initiative can be assessed.

Accordingly, all M&E will be structured on the basis of the hierarchy of objectives summarised in Figure 12.3. This will be developed in detail in the forthcoming CRGE Facility Monitoring and Evaluation Strategy.



Figure 12. 3 CRGE Hierarchy of Objectives



This standard methodology has to be applied in two overall ways, namely to monitor and evaluate:

- The performance of the CRGE Facility in contributing to the aims of the CRGE initiative, to determine how effectively the Facility is utilising assigned resources to achieve its assigned objectives – a copy of the current M&E hierarchy for the Facility has been provided<sup>58</sup>; and
- The performance of individual approved actions in utilising assigned resources to achieve the objectives that were agreed with the Facility – a summary of the categories of indicator relevant to each element of the hierarchy to which individual M&E plans should align has been provided<sup>59</sup>.

## 12.7 Reporting

All Implementing and Executing Entities will use standard formats prepared by MOFED to submit **quarterly and annual progress reports**. These report progress against planned milestones and targets. Quarterly updates can focus on process, input and output delivery; annual reports should provide updates against outcome indicators (and impact where possible). More detail on reporting at Section 6. The Secretariat evaluates progress reports, seeks further information if needed, and extracts and synthesizes critical information to create the quarterly and annual CRGE Progress Report<sup>60</sup>, which is circulated to stakeholders.

<sup>58</sup> See Annex 12(1).

<sup>59</sup> See Annex 12(2).

<sup>60</sup> For detailed information on progress reporting, see section 11.8 of this Manual.



## 12.8 CRGE Facility Results Matrix

The CRGE Facility, as part of the Monitoring and Evaluation Strategy, will develop an overall Results Matrix for all CRGE Facility financed activities.

This is urgent and will be completed by the end of 2014 and set high level targets from the start, with scope to incorporate new indicators and targets as **Sector Reduction Action Plans are further developed and refined.**

The development of the Facility M&E strategy and Results Matrix will be informed by consultation with all key stakeholders and leverage specialist support where relevant.

Programme level results monitoring and reporting will, among other things, address GHG emissions reductions stemming from programmes, climate resilience and vulnerability outcomes, as well as economic growth impacts.

## Annexes

### Annex 2(1): Summary of the CRGE Strategy

The **Green Economy** strategy, a component of the CRGE strategy, has been completed for seven sectors of the economy that offer the highest greenhouse gas abatement potential: Power Supply; Buildings and Green Cities; Forestry (REDD+); Agricultural/Soil-based Emissions; Livestock; Transport; and Industry. Over 60 Green Economy initiatives have been identified for their potential to ensure that Ethiopia's 2030 greenhouse gas (GHG) emission levels do not exceed the current 150 megatonne CO<sub>2</sub> equivalent. This avoids about 250 megatonne CO<sub>2</sub> equivalent that would be emitted if a conventional development path were followed to meet economic growth goals set in the GTP. Thus, if fully realized, the Green Economy plan can lead to a zero net emission growth. It also makes the avoided 250 megatonne CO<sub>2</sub> equivalent eligible for financial support from international climate finance.

The **Climate Resilient** component is now being developed. The Agriculture sector and Water and Energy sectors are under development and the Ethiopian government will complete the CR strategy for other sectors when possible, depending on resource and practicality, and develop an integrated CRGE strategy. This will enable all sectors of the economy to move toward implementation. However, implementation will not be held back in sector without a high level CR strategy. **Green Economy Strategy**

#### A. Background

Ethiopia aims to achieve middle-income status (GDP per capita of US\$1,000) by 2025. As set forth in the Growth and Transformation Plan (GTP), reaching this goal will require boosting agricultural productivity, strengthening the industrial base, and fostering export growth. To meet the middle-income target, the base case outlined in the GTP sets the following rates of growth for the period 2010-2015:

Macroeconomic variable	Expected growth from the period 2010-2015
GDP	10 per annum
Export	From 14% of GDP to 23%,
Domestic savings	From 5.5% to 16%

These high rates are based on the following sectoral projections for the same five-year period:

Agricultural development will continue to be the basis for economic growth. The overall targeted growth rate for the sector is **8.6%**; and

The industrial sector will grow at a rate of 20% p.a. or twice the annual increase achieved over the last five years. The GTP expects the industry sector's share of the GDP to rise from 13% to 19% within five years, while the service sector remains at around 45%.

To achieve middle-income status before 2025, these five-year growth rates must be sustained for 15 years. The growth will result in a significant shift in GDP shares: **In 2025, agriculture would contribute only 29% to GDP, industry 32%, and services the remaining 39%.**

Following the conventional development path would result in a sharp increase in GHG emissions and unsustainable use of natural resources. The following table summarises the 2010 and the 2030 levels of GHG emissions for the seven sectors under the business as usual scenario.

Sectors	Current level of emission (Mt CO2e)	2030 level of emission (Mt CO2e) under BAU scenario
Agriculture		
▪ Livestock	65	125
▪ Crop	12	60
Forestry		
▪ Deforestation	25	45
▪ Degradation	25	45
Energy		
▪ Electric power	<5	<5
Transport	5	40
Industry	4	71
▪ Cement	2.7	65
▪ Other	1.3	6
Construction		
▪ Building	5	10

Under the business as usual scenario, GHG emissions would be more than double from 150 Mt CO2e in 2010 to 400 Mt CO2e in 2030. On a per capita basis, emissions are set to increase by more than 50% to 3.0 t CO2e – and will thus exceed the global target to keep per capita emissions between 1 t and 2 t per capita in order to limit the negative effects on climate change.

In absolute terms, the highest increase – adding around 110 Mt CO2e in GHG emissions – will come from agriculture, followed by industry at 65 Mt and forestry at 35 Mt. In relative terms, the emerging industrialization will manifest itself in an annual emission increase of more than 15% from the industrial sector and around 11% from transport. Industry emissions under BAU assumptions are therefore projected to increase more than 12-fold, while transport emissions are projected to increase 7-fold. Of the 150 Mt CO2e in 2010, more than 85% of GHG emissions came from the agricultural and forestry sectors. They are followed by power, transport, industry and buildings, which contributed 3% each.

Regardless of whether the development path is a conventional or sustainable one, Ethiopia faces a critical challenge in attracting the investment needed to support the projected growth. Current and expected domestic savings and foreign direct investments, grants, and transfers will not be sufficient to fund these investments:

**Resource constraints:** for example, it could reach the carrying capacity for cattle. Furthermore, it could lock the economy into out-dated technologies; and

**Financial constraints:** for example, a significant share of GDP might need to be spent on fuel imports, putting pressure on foreign currency reserves. According to the GTP, more than USD 50 billion will be needed over the coming five years for infrastructure development. More than 50% will have to be in foreign currency. Current and projected domestic savings and foreign direct investments, grants, and transfers will not be sufficient to finance these investments, leading to a significant finance gap.

Therefore the path of building CRGE is not an option but mandatory economic trajectory for Ethiopia to achieve its middle-income status by 2025. Building a green economy will lead to further socio-economic benefits and allow Ethiopia to tap climate finance.

## **B. The Green Economy Initiatives**

The CRGE strategy has identified over 60 potential green economy initiatives initiative across seven sectors based on the following Criteria:

**Feasibility in local context** – technical and institutional implementability;

**Effects on GTP** – potential to contribute to reaching targets as outlined in GTP;

**Abatement/avoidance potential** – GHG emissions in case of implementation as compared to BAU; and

**Cost effectiveness checked** – costs to reduce or avoid one t of CO<sub>2</sub>e.

Many of the initiatives offer positive returns on investments, thus directly promoting economic growth and creating additional jobs with high value-added.

## **C. The CRGE Objectives**

CRGE has three complementary objectives:

Fostering economic development and growth;

Ensuring abatement and avoidance of future emissions, i.e., transition to a green economy; and

Improving resilience to climate change.

#### D. Four CRGE Pillars

**Agriculture:** Improving crop and livestock production practices for higher food security and farmer income while reducing emissions;

**Forestry:** Protecting and re-establishing forests for their economic and ecosystem services including as carbon stocks;

**Power:** Expanding electricity generation from renewable energy for domestic and regional markets; and

**Transport, industrial sectors and buildings:** Leapfrogging to modern and energy efficient technologies.

#### E. Financial Requirement

Building the green economy requires an estimated total expenditure of around USD 150 billion over the next 20 years. By developing a green economy, the country could exchange GHG emissions abatement for climate finance to fund some of the required investment.

#### F. Sectoral CRGE Strategies

1. **Agricultural Sector:** Building a green economy will require an increase in the productivity of farmland and livestock rather than increasing the land area cultivated or cattle headcount. In order to offer a viable alternative to the conventional development path without foregoing growth in the short term and significant advantages thereafter, a set of initiatives has been identified that can provide the required increase in agricultural productivity and resource efficiency.

**Crop Sub-sector:** The CRGE initiative has prioritized the following initiatives to limit the soil-based emissions from agriculture and limit the pressure on forests from the expansion of land under cultivation:

- Intensify agriculture through usage of improved inputs and better residue management resulting in a decreased requirement for additional agricultural land that would primarily be taken from forests;
- Create new agricultural land in degraded areas through small-, medium-, and large-scale irrigation to reduce the pressure on forests if expansion of the cultivated area becomes necessary; and
- Introduce lower-emission agricultural techniques; ranging from the use of carbon- and nitrogen-efficient crop cultivars to the promotion of organic fertilizers. These measures would reduce emissions from already cultivated areas.

**Livestock sub-sector:** To increase the productivity and resource efficiency of the Livestock sector, the following initiatives have been prioritised:

- Increase animal value chain efficiency to improve productivity, i.e., output per head of cattle via higher production per animal and an increased off-take rate, led by better health and marketing;

- Support consumption of lower-emitting sources of protein, e.g., poultry. An increase of the share of meat consumption from poultry to up to 30% appears realistic and will help to reduce emissions from domestic animals;
  - Mechanize draft power, i.e., introduce mechanical equipment for ploughing/tillage that could substitute around 50% of animal draft power, which – despite burning fuels – results in a net reduction of GHG emissions; and
  - Manage rangeland to increase its carbon content and improve the productivity of the land.
- 2. Forestry Sector:** the CRGE initiative has prioritised three strategies that could help to develop sustainable forestry and reduce fuel wood demand:
- Reduce demand for fuel wood via the dissemination and usage of fuel-efficient stoves and/or alternative-fuel cooking and baking techniques (such as electric, LPG, or biogas stoves) leading to reduced forest degradation;
  - Increase forestation, reforestation, and forest management to increase carbon sequestration in forests and woodlands. These initiatives would result in an increased storage of carbon in Ethiopia’s forests, provide a basis for sustainable forestry, and even allow the forestry sector to yield negative emissions, i.e., store more carbon in growing forests than are emitted from deforestation and forest degradation; and
  - Promoting area closure via rehabilitation of degraded pastureland and farmland, leading to enhanced soil fertility and thereby ensuring additional carbon sequestration (above and below ground).
- 3. Power sector:** Ethiopia is endowed with ample natural resources to meet this demand, primarily by exploiting its vast potential for hydro, geothermal, solar and wind power – all of which would deliver electricity at virtually zero GHG emissions. If adequately captured, the projected power supply could even exceed the growing domestic demand: while the demand is projected to be nearly 70 TWh in 2030, energy efficiency measures exists to decrease the demand by 19 TWh. Hence, increasing the supply and at the same time maximizing energy efficiency offers the possibility to export clean energy to neighbouring countries. These exports, in turn, provide the opportunity to replace electric power generated from fossil fuels, which has significantly higher average costs and significantly higher emissions. Taken together, the generation of clean and renewable electric power also allows for green development of other sectors of the economy, such as the replacement of trucks by electric rail or diesel pumps by electric pumps for irrigation. Moreover, via electricity exports, Ethiopia can share its green development to other countries in the region while contributing positively to its trade balance.
- 4. Transport Sector:** The government sees the opportunity to gear the development of the transport sector to contribute to a sustainable development pathway. Therefore, it plans to:

- Introduce stricter fuel efficiency standards for passenger and cargo transportation and promote the purchase of hybrid and electric vehicles to counter the low efficiency of the existing vehicle fleet;
- Construct an electric rail network – powered by renewable energy – to substitute road freight transport;
- Improve urban transport in Addis Ababa by introducing urban electric rail, and enabling fast and efficient bus transit; and
- Substitute imported fossil fuels with domestically produced bio-diesel and bio-ethanol.

**5. Building Sector:** The three major green economy initiatives identified in this sector are:

- Accelerated transition to high efficiency light bulbs for residential, commercial, and institutional buildings;
- Use of landfill gas management technologies (e.g., flaring) to reduce emissions from solid waste; and
- Reduction of methane production from liquid waste.

**6. Industrial Sector:** competitiveness of the cement industry by reducing production cost and – at the same time – would yield significant environmental and health benefits:

- Improved energy efficiency of the process by converting the technology used from dry to precalciner kilns and from rotary to grate coolers and by introducing computerized energy management and control systems, which can decrease the energy demand and hence the cost of and emissions from cement production;
- Substitution of clinker by increasing the pumice content leading to a decrease in both variable production costs and emissions; and
- Increased share of biomass in the mix of energy for production in cement factories, potentially decreasing costs and emissions.

The textile, leather, and fertilizer industries are important parts of the envisaged economic development model. The government aims to promote – among other initiatives – energy efficiency and the usage of alternative fuels in these subsectors. Further initiatives have also been identified for the steel, chemicals, and mining sub-sectors.

Two sectors – agriculture and forestry – should receive particular attention: they contribute around 45% and 25% respectively to projected GHG emission levels under business-as-usual assumptions and together account for around 80% of the total abatement potential.

**Summary of GHG Abatement initiatives by Sectors**

<b>Sector</b>	<b>Abatement levers</b>
<b>Forestry</b>	Fuel wood-efficient stoves
	LPG stoves
	Biogas stoves
	Electric stoves and mitads
	Afforestation/Reforestation
	Forest Management (forest/woodland)
<b>Soil</b>	Lower-emitting techniques
	Yield increasing techniques
	Irrigation
<b>Livestock</b>	Value chain efficiency
	Enhancing diversification of animal mix
	Mechanization
	Pastureland improvement
<b>Power</b>	Clean power export
<b>Industry (cement only)</b>	Clinker substitution (e.g. by pumice)
	Biomass (agri-residues) usage
	Energy efficiency equipment (Precalciner kiln; grate cooler; computerized process control)
	Waste heat recovery
<b>Transport</b>	Electric rail
	Fuel efficiency standards
	Light rail and bus rapid transit
	Hybrid and electric vehicles
	Mixing ethanol and biodiesel
<b>Building and green cities</b>	High-efficiency lighting
	Improved landfill gas management
	Improved liquid waste management
	Pastureland improvement



## **G. Institutional setup**

Overall responsibility and oversight lies with Ethiopia's **Environmental Council**. The council is chaired by the Prime Minister and comprises members drawn from Federal Ministries, Presidents of National Regional States, and representatives of non-governmental bodies, the private sector, and trade unions. The Environmental Council is responsible for recommending laws and regulations for approval by the Council of Ministers. The Environmental Council can approve environmental standards and directives independently. It is envisaged that the Environmental Council installs a subsidiary body to directly oversee the CRGE initiative. This subsidiary body will be the already established **Ministerial Steering Committee**, granted the required legal status of a permanent public institution. The appointment of its chair would then be under the responsibility of the Environmental Council. The government plans to govern the CRGE initiative under the co-responsibility of the Ministry of Forest and Environment (MEF) and the Ministry of Finance and Economic Development (MOFED), with the following roles and responsibilities:

### **i. Roles and Responsibilities of MEF**

1. Supervises and regulates implementation of the technical components of the CRGE initiative. To this end, it will have a team of experts working on each economic sector to monitor projects so as to ensure their effectiveness, measure, report, and verify (MRV) project outcomes, and provide appropriate access to information on projects and outcomes to the public;
2. Maintain close links with all relevant ministries including by fostering the establishment of environmental units within those ministries and other relevant sectoral agencies that do not already have them;
3. Is accountable to the Environmental Council and will collaborate under the Council's direction with all institutions relevant for the CRGE process – such as the MSC and the TC that are responsible for the alignment and approval of technical content;
4. Decides on proposals to be submitted for financial support or carbon credit;
5. Organize and conduct independent measurement, review and verification;
6. Adopt guidelines, procedures; and templates. The latter includes, inter alia, templates and guidelines for preparing proposals for financial support or access to carbon credit as well as monitoring reports of their implementation
7. Develop procedures for the review of green economy initiatives as well as provide relevant methodological guidance on determining geographical and sectoral boundaries, on setting baselines for the quantification of credits, and on measuring GHG emissions;
8. Addressing – among others – the confidentiality of information, the EPA will develop a code of conduct and procedures; and
9. Maintain and upload on a web-site a register with up-to-date information on decisions on and implementation of all green economy initiatives.

**ii. Roles and Responsibilities of MOFED**

MOFED, in collaboration with the EPA, will have the following roles:

- Solicit financial support from international sources and channel the available funds in the form of advance support or ex-post payment;
- Ensure transparency, objectivity, consistency, and professionalism in its operations in compliance with international agreements; and
- The UNDP has offered its support in establishing a Multi-Donor Trust Fund within this ministry through which funds could be channelled. The government will eventually fully and independently run the facility – regardless of the concrete organizational design.

**iii. Roles and Responsibilities of other Ministries and Sectoral Agencies**

- Formulating proposals of green economy initiatives for financial support or carbon credit;
- Coordinating the implementation of sectoral or sub-sectoral green economy initiatives;
- Preparing and submitting monitoring reports; and
- Designing, establishing and staffing their respective environmental units.

**iv. Roles and Responsibilities of National Regional States:**

National regional states – in collaboration with the relevant federal level institutions – are responsible for implementing the majority of the initiatives outlined in the CRGE strategy. The coordination between regional and federal levels will be under the responsibility of the respective environmental agencies of the national regional states. This collaboration has proved efficient in numerous other undertakings.

**Climate Resilience Strategy**

The *Climate Resilient* component is now being developed. The Agriculture sector and Water and Energy sectors are under development and the Ethiopian government will complete the CR strategy for other sectors when possible, depending on resource and practicality, and develop an integrated CRGE strategy. This will enable all sectors of the economy to move toward implementation. However, implementation will not be held back in sector without a high level CR strategy.

**Annex 3(1): CRGE Strategy Framework**

## Annex 3(2): Summary of Potential Types of Finance

Instrument/ Modality	Definition	Advantages/Disadvantages	Examples
Grant	Resources aimed at funding investments without the expectation that the money be repaid.	<p>Advantage: Provides technical assistance and capacity building. Gives viability to a project. Covers full cost of adaptation, complement other instruments.</p> <p>Disadvantage: there are no reflows.</p>	In 2012, ADB provided a technical assistance grant financed by the Japan Fund for Poverty Reduction to help the Government of Indonesia build strong capacity so that it can continue developing good climate change policies that can be turned into planning and programme implementation at the national and local levels.
Concessional loan	Upfront transfer of resources with the agreement that the money will be repaid on conditions more favourable than market terms by offering low or no interest rates, longer repayment and/or grace periods, or a combination of them.	<p>Advantage: Used when market financing would make the investment unviable. Reduces risk to all lenders, it can encourage local banks to enter the lending market for energy efficiency and renewables.</p>	IADB loan to Trinidad and Tobago to strengthen and modernise the regulatory, institutional and policy framework to develop and promote instruments to assess and reduce vulnerability and risks associated with climate change and to promote carbon markets and policies to reduce GHG emissions.
Guarantee	Commitments in which a guarantor undertakes to fulfil the obligations of a borrower to a lender in the event of non-performance or default by the borrower of its obligations, in exchange for a fee.	<p>Advantage: Attracts capital through debt on terms that could ensure the feasibility of a project. Mitigates or manages risks.</p> <p>Disadvantage: it is hard to quantify risks and in international financial institutions, it accounts for the same amount of financing quota as a loan.</p>	IFC partial credit guarantees to provide financing to various segments, including residential, commercial, municipal and energy supply.
Equity	Injection of capital to grow operation of a project or a firm to leverage resources as it mitigates risk for other investors, used when	<p>Advantage: Support for innovation of start-ups. Leverages resources.</p>	IFC/GEF Photovoltaic Market Transformation Initiative designed to accelerate the sustainable commercialisation and financial

Instrument/ Modality	Definition	Advantages/Disadvantages	Examples
	the probability of failure is high, but still with positive probability of success, therefore, of return to the equity holder.	Disadvantage: difficult to quantify risks and define with certainty the level of participation in the total equity.	viability of energy services, based on solar electricity technology in India, Kenya and Morocco.
Debt Swap	Voluntary exchange of a debt instrument by a creditor with its debtor for cash, another asset, or a new obligation with different repayment terms.	<p>Advantage: Ensures additional resources for adaptation investments while reducing the level of debt of the country.</p> <p>Disadvantage: It may generate negative incentives for the borrower to honour its debt.</p>	Norway grant to Guyana to reduce its GHG emissions avoiding the deforestation and forest degradation
Advanced Market Commitment	Mechanism that generates incentives for private sector engagement by creating a viable market demand.	<p>Advantages: Encourages innovation by ensuring demand of a product and helps to develop a self- sustaining market by creating demand. Uses public money only when there is a concrete outcome.</p> <p>Disadvantage: It is a relatively innovative mechanism not fully explored in sectors outside the health sector</p>	This type of mechanism has been used to produce vaccines against neglected diseases in developing countries, but can be replicated to develop other types of technology such as low carbon energies.
Performance-based payment	A grant or concessional loan disbursed in tranches against verified fulfilment of predefined targets or quantified emission reductions in a project or programme.	<p>Advantage: Rewards successful implementation of projects/programmes. Promotes policy reforms, build capacity, and undertake investment projects.</p> <p>Disadvantage: It may be complex to define the baseline to measure the performance required for making the payments.</p>	The Super Energy-efficient Equipment Programme (SEEP) in India to introduce approximately five million super-efficient ceiling fans over four year project cycle. It will provide performance-based, sales-verified financing incentives to competitively selected manufacturers for producing more efficient than average fans.
Public-private	Agreement between a public agency and a private sector entity through which mutual	Advantage: Delivers sustainable solutions by partnering between sectors. Used in	Bulgaria Energy Efficiency Fund, in which the World Bank, GEF and Austrian Government,

Instrument/ Modality	Definition	Advantages/Disadvantages	Examples
partnership	skills and assets are shared in delivering a service or investment.	complex structures and those not viable purely on private financing.	together with a private sector fund management consortium and local financial institutions provided technical assistance to Bulgarian enterprises, municipalities and private individuals in developing energy efficiency investment projects and then assists their financing, co- financing or plays the role of guarantor in front of other financing institutions.
Co-financing	Blending resources with MDBs, bilateral agencies, market sources instruments to enhance terms of financing to make an investment viable.	Advantage: Enhances terms of financing, leverages resources.	CTF / ADB / World Bank loan to the Government of the Philippines to help the country implement projects that will mitigate climate change.
Policy based loan	Non-earmarked financing aimed at helping a borrower achieve sustainable climate friendly results through a programme of policy and institutional actions.	Advantage: Encourages policy development and capacity building.	
Adaptable programme loan	Phased support for long-term development programmes with a long-term perspective on specific sectors.	Advantage: Supports long term strategies.	
Sector investment loan	Financing to bring sector expenditures, policies, and performance in line with a country's priorities and develop institutional capacity to plan, implement, and monitor expenditures or investment programme in a specific sector.	Advantage: Supports sector transformations.	

Instrument/ Modality	Definition	Advantages/Disadvantages	Examples
Discounted grants	An investor of a project gets a loan on market conditions. Assuming that the amortization of the loan is going to be on a bullet repayment at the end of the maturity, the Fund could provide a grant at the present value of the bullet payment, invest the amount on a zero coupon bond so that at the date of the bullet payment the value of such coupon would equal the amount of the amortization. Therefore, in this way, the grant actually is equivalent to the principal amount of the loan.	Advantage: Maximises Fund resources	The Yucatan Accord provided US\$ 18 million as grant resources to buy a zero coupon bond of the same maturity of the US\$ 40 million loan provided by the Central American Bank for Economic Integration (CABEI) to the Government of Honduras, so that at the end of the maturity period the zero coupon bond equals the nominal amount of the loan and it is used to repay the principal.

**Annex 3(3): Details of Agreements with Specialist Financial Intermediaries**

**Existing Arrangements**

**Potential Arrangements**



Annex 4(1): CRGE Facility Risk Management Framework

Identified Risk	Potential Impact	Mitigating actions by the Ministry of Finance and Economic Development through the CRGE Facility Secretariat
<b>Operational Risks</b>		
<p>Failure of Facility to mobilise sufficient resources due to :</p> <ul style="list-style-type: none"> <li>- Failure of international negotiations to deliver sustained and increased public or private climate finance, including carbon markets.</li> <li>- Operational or fiduciary concerns amongst potential contributors</li> </ul>	<p>Insufficient finance to achieve Climate Resilient Green Economy</p>	<p>Flexibility built into Facility design to maximise access to resources by accepting public and private funds from international and domestic sources</p> <p>Strong and flexible resource mobilisation strategy to maximise resources</p> <p>Robust processes to prioritise available resources strategically, including value for money assessment</p> <p>Government allocating own resources to CRGE investment</p>
<p>Lack of capacity to plan and implement high quality plans and proposals amongst implementing and executing entities</p>	<p>Results not delivered, to insufficient quality or not on time.</p> <p>Maladaptation or failure to reach the most vulnerable groups</p> <p>Risk of unspent finance, resources not used efficiently, hampering the Facility’s ability to raise further funds</p>	<p>Provide quality guidance and package of support to implementing and executing entities for development of proposals, and for monitoring and evaluation. Ensure strong technical support is provided by Ministry of Environment and Forests.</p> <p>Commission independent monitoring and evaluation to assess and monitor progress</p> <p>Use lessons from monitoring and evaluation, and latest research and evidence, to continuously learn and improve Facility oversight, and support implementing and executing entities.</p> <p>Promote and coordinate (where appropriate), complementary investment in capacity amongst Ministries, Regions, Woredas and non-state actors by Government and other partners.</p>

<b>Identified Risk</b>	<b>Potential Impact</b>	<b>Mitigating actions by the Ministry of Finance and Economic Development through the CRGE Facility Secretariat</b>
Inability to monitor results, review progress or measure and demonstrate results achieved, due to capacity gaps at all levels including implementing or executing entities	<p>Risk of poor implementation and M&amp;E or failure to learn and share lessons for continual improvement</p> <p>Weaken reputation of the Facility and dampen ability of Facility to raise funds</p>	<p>Develop, test and challenge a robust Monitoring and Evaluation framework and strategy</p> <p>Conduct regular independent reviews</p> <p>Dedicated Monitoring and Evaluation position in CRGE Facility Secretariat to build, support and oversee comprehensive monitoring and evaluation systems</p> <p>Promote investment in monitoring and evaluation capacity at all levels</p>
External risks to delivery could include major climate extremes (drought or flood)	Programmes derailed, and inflexibility to respond	<p>Ensure risk management strategies are built into every investment plan and proposal, with adequate risk mitigation measures</p> <p>Investment in resilience through CRGE should gradually build resilience to such events at all levels</p>
Lack of capacity to use and implement robust safeguards in design and implementation of CRGE investment	<p>Negative environmental or social impacts</p> <p>Undermine development and climate resilience objectives</p> <p>Reputational risk and inability to attract further financing</p>	<p>Safeguards policy agreed; commitment to use World Bank safeguards adjusted to Ethiopian context (see Section 10) and commitment to develop robust, tailored safeguards, with expert support and in consultation with key stakeholders. Any revisions to safeguards policy will be agreed with contributors.</p> <p>Provision of guidance and support to implementing and executing entities to understand and implement effective safeguards</p>
<b>Fiduciary Risks</b>		
Inability to account for utilisation of funds	Misappropriation of funds, failure to deliver	<p>Financial Management systems in place</p> <p>Recruitment of expert financial analyst and additional finance staff as</p>

Identified Risk	Potential Impact	Mitigating actions by the Ministry of Finance and Economic Development through the CRGE Facility Secretariat
	<p>Reputational risk to Facility</p> <p>Hamper efforts to mobilise resources</p> <p>Potential requirement to return any funds unaccounted for to contributors.</p>	<p>needed in CRGE Facility Secretariat</p> <p>Quarterly financial reporting from implementing entities to CRGE Facility</p>
Misappropriation of funds	<p>Loss of funds to invest in delivery</p> <p>Serious reputational risk to Government and contributors</p> <p>Potential requirement to return any funds unaccounted for or misappropriated to contributors.</p>	<p>Financial Management systems in place</p> <p>Recruitment of expert financial analyst and additional finance staff as needed in CRGE Facility Secretariat</p> <p>Quarterly financial reporting from implementing entities to CRGE Facility</p>
Funds not utilised in accordance with agreed conditions	<p>Loss of funds to invest in delivery</p> <p>Serious reputational risk to Government and contributors</p> <p>Potential requirement to return any misspent funds to contributors</p>	<p>Financial Management systems in place</p> <p>Recruitment of expert financial analyst and additional finance staff as needed in CRGE Facility Secretariat</p> <p>Quarterly financial and narrative reporting from implementing entities to CRGE Facility</p> <p>Robust programme monitoring and evaluation, including independent reviews</p>



**MEMORANDUM OF AGREEMENT  
FOR  
MANAGEMENT AND OTHER SUPPORT SERVICES  
RELATED TO  
THE ETHIOPIA CLIMATE RESILIENT GREEN ECONOMY FACILITY**

**MEMORANDUM OF AGREEMENT  
between  
the Government of the Federal Democratic Republic of Ethiopia  
and  
the United Nations Development Programme  
for  
Management and Other Support Services  
Related to the Ethiopia Climate Resilient Green Economy Facility**

WHEREAS, the Government of the Federal Democratic Republic of Ethiopia (hereinafter the “Government”) has developed the ETHIOPIA CLIMATE RESILIENT GREEN ECONOMY FACILITY (hereinafter the “Facility”);

WHEREAS, the Government has requested the United Nations Development Programme (UNDP) to serve as the provisional Trustee and provide fund administration, management and other support services related to the establishment and management of the Facility for funding that will be channeled through the Facility’s International Account (as further referred in Article 3 paragraph 13);

WHEREAS, UNDP agrees to serve as the provisional Trustee and provide the fund administration, through its Multi-Partner Trust Fund Office (MPTF Office) (hereinafter “Administrative Agent”), as well as management and other support services for the Facility, pursuant to its Financial Regulations and Rules, and the terms and conditions set out in the Facility Terms of Reference, August 2012, (hereinafter “Facility TOR” or “TOR”), annexed hereto as Annex 1;

WHEREAS, the Government has designated the Ministry of Finance and Economic Development(MOFED) to coordinate the development and implementation of the Facility’s activities on behalf of the Government and assume full financial and programmatic accountability for the funds disbursed by the Administrative Agent to the government entities through MOFED National Account, that shall implement the activities funded by the Facility (hereinafter the “National Entities”) , and shall have such other responsibilities as set forth herein;

WHEREAS, the CRGE Facility Contributors will release their commitments for both the Strategic and Responsive Windows of the CRGE Facility directly to the CRGE National Account or to the CRGE Facility Account provisionally administered by the UNDP MPTF Office;

WHEREAS, UNDP as the Administrative Agent of the Facility will conclude on behalf of the Government Standard Administrative Arrangements(hereinafter “Standard Administrative Arrangements” or “SAAs”),a template of which is annexed hereto as Annex 2, with the Contributors that are unable to channel contribution directly through MOFED (hereinafter “Contributors”);

WHEREAS, the Government may decide and request to utilize technical cooperation provided by organizations of the United Nations system(hereinafter “Participating United Nations Organizations” or “PUNOs”) and Multilateral Development Banks as deemed necessary (hereinafter “MDBs”),hereinafter jointly referred to as the “International Participating Organizations”, for the provision of capacity building and technical support to be funded by the Facility, and towards that end, the relationship between the PUNOs and the Administrative Agent will be governed by the Memorandum of Understanding for Multi-Partner Trust Funds Using Pass-Through Fund Management relating to the Ethiopia CRGE Facility (annexed hereto as Annex 3);and the relationship between the MDBs and the Administrative Agent will be governed by the MDB Memorandum of Understanding for Multi-Partner Trust Funds Using Pass-Through Fund Management relating to the Ethiopia CRGE Facility (annexed hereto as Annex 4); and

WHEREAS, this Memorandum of Agreement governs the relationship between UNDP and the Government, including MOFED as well as the related Agreements with the Contributors and International Participating Organizations (Annexes 2 through 4);

NOW, THEREFORE, the Government and the Administrative Agent (hereinafter “the Parties”) agree as follows:

**Article 1**  
**Establishment of the Ethiopia CRGE Facility**

1. The signature of this Memorandum of Agreement (hereinafter the “MOA”) is an additional step in the full commencement of the Facility. The establishment of the Facility shall facilitate the effective and efficient collaboration between the Government, Contributors, the Administrative Agent, and other stakeholders for the implementation of the Facility, as set out in the TOR. All terms defined in the TOR are used in this MOA in the same manner as though set out and defined in full herein
2. The Facility shall be governed by the **CRGE Ministerial Steering Committee**, chaired by the Prime Minister’s Office, that will set the criteria and scope for approving investment plans, and determine the overarching priorities for the CRGE Facility.
3. The Environmental Protection Authority (EPA) will chair, house and supervise the activities of the **CRGE Technical Committee**, which will include MOFED’s Planning and Research Directorate, relevant experts from line ministries and other development partners as necessary. The CRGE Technical Committee will assess and approve investment plans submitted to both the Strategic and Responsive Windows by line ministries and regional governments. It will appraise investment plans against both climate and development criteria.
4. MOFED will chair, house and supervise the activities of the **CRGE Management Committee**. The Management Committee will serve as the primary coordination and governance mechanism, as described in the TOR. The Management Committee will include representatives of the EPA and relevant line ministries, as appropriate. The Management Committee will carry out the functions stated in the TOR, including prioritizing the investment plans approved by the Technical Committee, making final fund allocation decisions for both the Strategic and Responsive Windows and overseeing the effective monitoring and evaluation of the Facility’s financed activities.
5. Facility-financed activities undertaken by the National Entities and funded through contributions administered by the UNDP MPTF Office, shall be carried out on the basis of the National Regulatory Framework, provided the laws, regulations and procedures do not contravene the principles set out in UNDP’s regulations and rules, policies and procedures, while the Facility-financed activities undertaken by the International Participating Organizations shall be carried out on the basis of their own regulations rules, policies and procedures in accordance with Annexes 3 and 4.
6. The Government and UNDP shall consult closely with respect to the management and other support services provided under this MOA. The Government shall ensure that all necessary support is given by the relevant Ethiopian authorities to UNDP to facilitate the activities to be carried out by UNDP further to the Facility. The Management Committee will establish its Rules of Procedure through the Operational Manual, consistent with the TOR.
7. Resources from the Facility, including interest accrued to the Facility Account, will be utilized for the purpose of meeting the direct and indirect costs of programmes undertaken by the National Entities and International Participating Organizations, as well as meet the direct costs related to its administration, technical review tasks of the Technical Committee and Facility Secretariat and required Facility-wide evaluations. Details of such proposals, including respective budgets and description of the National Entities and International Participating Organizations will be set out in the relevant programme documents and/or proposals, approved by the Management Committee.

## **Article 2**

### **The Administrative Agent**

8. The Government hereby engages UNDP, through its MPTF Office, to provisionally administer the Facility on its behalf, in accordance with the TOR. UNDP shall use its multi-donor trust fund management mechanism adapted for the management support services arrangements described herein.

9. Upon signature of this MOA, UNDP will conclude on behalf of the Government a Standard Administrative Arrangement (SAA) with the Contributors for receipt of funds and the Memoranda of Understanding (MOU) with the International Participating Organizations when requested by the Government to provide technical cooperation for Facility-financed activities.

10. UNDP as Administrative Agent, through its MPTF Office, will carry out the following functions:

- (a) Receive financial contributions from Contributors and deposit those in the Facility Account;
- (b) Administer the funds received, in accordance with UNDP regulations, rules, policies and procedures and the TOR;
- (c) In accordance with the decisions of the Management Committee, and subject to availability of funds disburse the funds to (i) National Entities through MOFED National CRGE account upon instruction from MOFED, and (ii) International Participating Organizations upon instruction from MOFED as a chair of the Management Committee, in both cases taking into account the budget set out in the approved programmatic document<sup>61</sup>, as amended in writing from time to time by the Management Committee;
- (d) Consolidate statements and reports, based on submissions provided to the Administrative Agent by MOFED, based on the submissions of each National Participating Organization, and by the International Participating Organizations, as set forth in Article 5, and provide these to MOFED, the Management Committee and Contributors through the Facility Secretariat;
- (e) As applicable, provide final reporting; and
- (f) Disburse funds to MOFED, EPA and to any National Entity through MOFED National Account or International Participating Organization for any additional costs of the non-fund administration tasks that the Management Committee may decide to allocate to any of the aforementioned in accordance with the TOR.

11. The Administrative Agent will conclude the Standard Administrative Arrangement with each Contributor that wishes to provide financial support to the Facility through the Administrative Agent. The Administrative Agent will not agree with the Contributor to amend the terms of Annex 2 without prior written agreement of MOFED. The Administrative Agent and MOFED will ensure the posting of a copy of the Standard Administrative Arrangement, as well as information on contributions, on the website of the Administrative Agent (<http://mptf.undp.org>), as well as the website of the Facility (<http://www.mofed.gov.et>), as appropriate.

12. The Administrative Agent will be entitled to allocate an administrative fee of one percent (1%) of the amount contributed by each Contributor signing a Standard Administrative Arrangement, to meet its costs of performing the functions described in this Memorandum of Agreement.

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<sup>61</sup> As used in this document, an approved programmatic document refers to projects or programmes which are approved by the Steering Committee for fund allocation purposes.

**Article 3**  
**Financial Matters**

The Administrative Agent

13. UNDP, as the Administrative Agent of the Facility, will establish a separate ledger account (hereinafter, the "Facility International Account") under its financial regulations and rules for the receipt and administration of the funds received pursuant to a Standard Administrative Arrangement. The Facility Account will be administered by the UNDP, in accordance with the UNDP's applicable regulations, rules, policies and procedures, including those relating to interest. The Facility Account will be subject exclusively to the internal and external auditing procedures laid down in the applicable UNDP financial regulations, rules, policies and procedures.

14. The Administrative Agent will not absorb gains or losses on currency exchanges which will increase or decrease the funds available for disbursements to MOFED, EPA, to the National Entities and International Participating Organizations.

15. Subject to the availability of funds, the Administrative Agent will make disbursements from the Facility Account based on decisions from the Management Committee and instruction from MOFED, in line with the budget set forth in the programmatic document, as amended from time to time by the Management Committee.

16. The Administrative Agent will normally make each disbursement to the CRGE National Account within MOFED within three (3) to five (5) business days after receipt of the relevant approved programmatic document and instruction from MOFED, in accordance with the decisions of the Management Committee and in line with the Facility TOR, along with a copy of the relevant approved programmatic document. The Administrative Agent will transfer funds through wire transfer. MOFED will advise the Administrative Agent in writing of the bank account for transfers pursuant to this MOA. When making a transfer, the Administrative Agent will notify MOFED, of the following: (a) the amount transferred, (b) the value date of the transfer, and (c) that the transfer is from the UNDP in respect of the Facility pursuant to this MOA.

17. The Administrative Agent will make disbursement to International Participating Organizations based on the decision of the Management Committee and instruction from MOFED. The detail will be described in the respective Memoranda of Understanding signed between them and the Administrative Agent (Annexes 3 and 4).

18. Where the balance in the Facility Account on the date of a scheduled disbursement is insufficient to make that disbursement, the Administrative Agent will consult with the Management Committee and make a disbursement, if any, in accordance with the Management Committee's instructions through MOFED.

Ministry of Finance and Economic Development (MOFED)

19. The Government has designated MOFED to serve as the primary interlocutor on all aspects of the Facility including with respect to the Administrative Agent. MOFED assumes full programmatic and financial accountability for the funds disbursed to the MOFED's CRGE Facility National Account by the Administrative Agent.



20. In order to carry out activities funded by the Facility, National Entities shall be proposed by EPA, in consultation with MOFED, and approved by the Management Committee, following assessments of financial, managerial and technical capacity by the Technical Committee. The Management Committee, chaired by MOFED shall review and approve the proposals recommended for funding. It is understood that National Entities will receive funds and carry out activities on the basis of the National Regulatory Framework, in accordance with Article 1, Paragraph 2.

21. MOFED will establish, and have each National Entity establish, a separate ledger account under its financial regulations and rules for the receipt and administration of the funds disbursed to it by the Administrative Agent from the Facility Account.

22. MOFED will use, and have the National Entities, including EPA, use, the funds disbursed from the Administrative Agent to carry out the activities for which they are responsible as set out in the approved programmatic document. MOFED, and through it the National Entities, including EPA, will commence and continue to conduct operations for the programmatic activities only upon receipt of disbursements as instructed by the Management Committee. MOFED, and through it the National Entities, will not make any commitments above the approved budget in the approved programmatic document, as amended from time to time by the Management Committee. If there is a need to exceed the budgeted amount, MOFED will submit a supplementary budget request to the Management Committee.

#### The International Participating Organizations

23. Utilization of funding by International Participating Organizations will be in accordance with the provisions of the respective Memoranda of Understanding signed between the International Participating Organizations and the Administrative Agent (Annexes 3 and 4).

## Contributors

24. The Contributors will make their contributions in accordance with the provisions of the Standard Administrative Arrangements.

## **Article 4** **Activities of the Facility**

### The Role of MOFED

25. Before the Administrative Agent will disburse funds to a National Entity through CRGE Facility National Account within MOFED, MOFED will reach an agreement with each concerned National Entity setting out the terms and conditions regarding receipt of funds from the Facility, consistent with this MOA and the TOR. MOFED will ensure that each National Entity is responsible for the activities specified in its proposal, in accordance with the decisions of the Management Committee and the National Regulatory Framework.

26. After approval by the Management Committee of a National Entity's proposal, MOFED will instruct the Administrative Agent to disburse the approved amount to the CRGE National Account within MOFED.

27. MOFED through the Management Committee will take the necessary steps to ensure that National Entities have the required capacities to accomplish their commitments in accordance the National Regulatory Framework.

28. Any modifications to the scope of the approved programmatic document, including as to its nature, content, sequencing or the duration thereof will be subject to mutual agreement in writing between MOFED, the relevant National Entity and the Management Committee. MOFED will promptly notify the Administrative Agent of any change in the budget approved by the Management Committee, as set out in the programmatic document of any National Entity. For Facility funded activities undertaken by the National Entities, on the termination or expiration of this MOA, the ownership of equipment, supplies and other property financed from the Facility shall vest in the Government.

29. MOFED will ensure that where a National Entity wishes to carry out its activities through or in collaboration with third parties, it will be responsible for discharging all commitments and obligations with such third parties, and the Administrative Agent will not be responsible for doing so.

30. In carrying out their activities, neither MOFED nor the National Entity will be considered as an agent of the Administrative Agent, nor will the personnel of one be considered as staff members, personnel or agents of the other. Without restricting the generality of the preceding sentence, the Administrative Agent will not be liable for the acts or omissions of MOFED, the National Entities, or their personnel, or of persons performing services on their behalf.

31. MOFED will advise the Administrative Agent in writing when all activities for which the National Entities are responsible under the respective approved programmatic document have been completed.

32. MOFED recognizes that the Contributors reserve the right to discontinue future contributions if reporting obligations are not met as set forth in the Standard Administrative Arrangement or if there are substantial deviations from agreed plans and budgets. If it is agreed among the Management Committee, MOFED, Contributors and the Administrative Agent that there is evidence of improper use of funds by National Entities, MOFED will use its best efforts, through the appropriate government body, consistent with its regulations, rules, policies and procedures to recover any funds misused. MOFED in consultation with the Management Committee will credit any funds so recovered to the Facility Account or agree with the Management Committee to use these funds for a purpose mutually agreed upon. Before withholding future contributions or requesting recovery of funds and credit to the Facility Account, the Administrative Agent, MOFED and the Contributor will consult with a view to promptly resolving the matter.

33. MOFED recognizes that it is important to take all necessary precautions to avoid inappropriate practices. To this end, it will guarantee the application of the National Regulatory Framework for the use of public funds by National Entities. In the event that MOFED determines that an allegation in relation to the implementation of activities – including corrupt, fraudulent, collusive or coercive practices that may have taken place - is credible enough to warrant an investigation, it will promptly notify the Management Committee and the Administrative Agent and the appropriate Ethiopian regulatory and control bodies, to the extent that such notification does not jeopardize the conduct of the investigation. The allegation will be dealt with by the appropriate entity of the Government in charge of such investigations. Upon completion of the investigation, MOFED will inform the Management Committee and the Administrative Agent about the results of the investigation which will handle in accordance with the National Regulatory Framework.

#### The Role of International Participating Organizations

34. Activities of the International Participating Organizations will be carried out in accordance with the provisions contained in the respective Memoranda of Understanding signed between the International Participating Organizations and the Administrative Agent (Annexes 3 and 4).

#### The Contributors

35. The Contributors will participate in the Facility in accordance with the TOR.

### **Article 5** **Reporting**

36. The National Entities through MOFED, and the International Participating Organizations in accordance with the respective Memoranda of Understanding (Annexes 3 and 4), will provide the Administrative Agent with the following statements and reports for funds received from the Facility International Account, as set forth in the Facility TOR:

- (a) Quarterly financial and narrative progress reports, at the initial stage of the Facility within 45 days after the end of the quarter;
- (b) Annual financial statements and reports as well as narrative progress reports as of 31 December with respect to the funds disbursed to it from the Facility Account and activities performed and results achieved, to be provided no later than four months (30 April) for the financial statement and three months (31 March) for the narrative report, after the end of the calendar year;

- (c) Final narrative reports, after the completion of the activities in the approved programmatic document, to be provided no later than four months (30 April) of the year following the financial closing of the programme. The final report will give a summary of results and achievements compared to the goals and objectives specified in the programmatic document;
- (d) Certified final financial statements and final financial reports after the completion of the activities in the approved programmatic document to be provided no later than six months (30 June) of the year following the financial closing of the related programmes.

37. The Administrative Agent will prepare consolidated narrative progress and financial reports, based on the reports referred to in Paragraph 36 (a) to (d) above, and will provide those consolidated reports to MOFED, the Management Committee, and each Contributor to the Facility Account, through the Facility Secretariat, by 31 May of each year.

38. The Administrative Agent will also provide MOFED, Management Committee and Contributors through the Facility Secretariat with the following statements on its activities:

- (a) Certified annual financial statement (“Source and Use of Funds”) to be provided no later than five months (31 May) after the end of the calendar year; and
- (b) As applicable, certified final financial statement (“Source and Use of Funds”) to be provided no later than seven months (31 July) of the year following the financial closing of the Facility.

39. Consolidated reports and related documents will be posted on the websites of the Facility (<http://www.mofed.gov.et>) and the Administrative Agent (<http://mptf.undp.org>).

#### **Article 6**

#### **Monitoring and Evaluation**

40. Monitoring and evaluation of the Facility including, as necessary and appropriate, joint evaluation by the Government, MOFED, the Contributors, the Administrative Agent, and other partners, will be undertaken in accordance with the provisions contained in the Facility TOR.

41. MOFED, the Facility Secretariat, EPA together with the National Entities and International Participating Organizations, Contributors, and the Administrative Agent, through the Management Committee, will hold annual consultations, as appropriate, to review the status of the Facility.

#### **Article 7**

#### **Audit**

42. MOFED, and through it the National Entities, will be audited in accordance with the Ethiopian national audit framework. The International Participating Organizations and the

Administrative Agent will be audited in accordance with their own Financial Regulations and Rules further to Annexed 3 and 4.

**Article 8**  
**Joint Communication**

43. MOFED will take appropriate measures to publicize the Facility and to give due credit to the other stakeholders. Information given to the press, to the beneficiaries of the Facility, all related publicity material, official notices, reports and publications, will acknowledge the leading role of the Government, the Contributors, MOFED, the Administrative Agent and any other relevant entities. In particular, the Administrative Agent will include and ensure due recognition of the role of the Government, MOFED, national partners, National Entities and International Participating Organizations and Contributors in all external communications relating to the Facility.

44. The Administrative Agent in consultation with MOFED will ensure that decisions regarding the review and approval of the Facility, periodic reports on the progress of Facility-financed activities and associated external evaluation are posted, where appropriate, for public information on the websites of the Facility (<http://www.mofed.gov.et>) and the Administrative Agent (<http://mptf.undp.org>). Such reports and documents may include Management Committee approved programmes and programmes awaiting approval, fund level annual financial and progress reports and external evaluations, as appropriate.

## Article 9

### Entry into Force, Expiration, Modification

45. This MOA will come into effect upon signature by authorized representatives of the Parties and will continue in full force and effect until it is terminated.

46. The Facility has a termination date of **31 December 2030**. However, UNDP's role as the Facility's Administrative Agent shall be limited to such time that a successor to fulfill the services ascribed to UNDP in this MOA is selected by the Management Committee in consultation with the Contributors.

47. This MOA will expire upon the winding up of the Facility, upon its termination by the Government, or upon selection of a successor to UNDP in accordance with paragraph 46 above, subject to the continuance in force of paragraph 48 below for the purposes therein stated. In addition, the MOA may be terminated upon 180 days notice, upon mutual agreement of the Parties, subject to the continuance in force of paragraph 48 below for the purposes therein stated.

48. This MOA may be modified only by written agreement between the Parties.

49. Commitments assumed by the Parties under this MOA will survive the expiration or termination of this MOA to the extent necessary to permit the orderly conclusion of the activities and the completion of final reports, the withdrawal of personnel, funds and property, the settlement of accounts between the Parties hereto and the settlement of contractual liabilities that are required in respect of any subcontractors, consultants or suppliers. Any balance remaining in the Facility Account, in MOFED, or in individual National or International Participating Organization's separate ledger accounts upon winding up of the Facility will be used for a purpose as decided by the Management Committee and Contributors or returned to the Contributor(s) in proportion to their contribution to the Facility as decided upon by the Contributor and Management Committee.

## Article 10

### Notices

50. Any action required or permitted to be taken under this MOA may be taken on behalf of the Government, by the State Minister of Finance and Economic Development, or his designated representative, and on behalf of the Administrative Agent, by the Executive Coordinator of the UNDP MPTF Office, or his designated representative.

51. Any notice or request required or permitted to be given or made in this MOA will be in writing. Such notice or request will be deemed to be duly given or made when it will have been delivered by hand, mail or any other agreed means of communication to the party to which it is required to be given or made, at such party's address specified below or at such other address as the party will have specified in writing to the party giving such notice or making such request.

*For the Government:*

Name: Ahmed Shide

Title: State Minister, Ministry of Finance and Economic Development

Address: Ministry of Finance and Economic Development, P.O.Box 1037, Addis Ababa, Ethiopia  
Telephone: +2510111579143  
Facsimile:  
Electronic mail:ahmedshide@yahoo.com

*For the Administrative Agent:*

Name: Bisrat Aklilu  
Title: Executive Coordinator, MPTF Office, UNDP  
Address: 730 Third Avenue, 20<sup>th</sup> Floor, New York, NY 10017, USA  
Telephone: +1 212 906 6880  
Facsimile: +1 212 906 6990  
Electronic mail:[bisrat.aklilu@undp.org](mailto:bisrat.aklilu@undp.org)

## **Article 11** **General Provisions**

52. In the event of any controversy, claim or dispute between the Parties arising out of this MOA or the breach thereof, the Parties shall seek an amicable resolution thereof through good faith direct negotiations.

53. The Government agrees that the provisions of the Agreement between UNDP and the Government, relating to UNDP's assistance to the country signed on 26 February 1981 (SBAA) shall apply to UNDP and its personnel carrying out the management and other support services provided hereunder, except that the funds contributed shall be deemed resources of the Government.

54. In accordance with the SBAA, the Government shall bear all risks of operations arising under this Agreement and shall be responsible for dealing with claims which may be brought by third parties against UNDP, its officials or other persons performing services on its behalf, and shall hold them and UNDP harmless in respect of claims or liabilities arising from operations under this Agreement. The foregoing provision shall not apply where the Government and UNDP agree that claims or liabilities arise from the gross negligence or willful misconduct of the above-mentioned persons.

IN WITNESS WHEREOF, the undersigned, duly authorized representatives of the respective Parties, have signed this MOA in English, in two copies.

On behalf of the Government of Ethiopia:

On behalf of UNDP:

Signature: \_\_\_\_\_

Signature: \_\_\_\_\_

Name: **Ahmed Shide**

Name: **Bisrat Aklilu**

Title: **State Minister, MOFED**

Title: **Executive Coordinator, MDTF**

**Office**

Place: **Addis Ababa**

Place: **Addis Ababa**

Date: **December 19,2012**

Date: **December 19,2012**

ANNEX 1 – The Ethiopia Climate Resilient Green Economy (CRGE) Facility Terms of Reference

ANNEX 2 – Standard Administrative Arrangement(SAA) between a Contributor and the Administrative Agent

ANNEX 3 – Memorandum of Understanding (MOU) between Participating UN Organizations and the Administrative Agent

ANNEX 4 – Memorandum of Understanding (MOU) between a Multilateral Development Bank (MDB) and the Administrative Agent



Annex 6(1): Copy of the CRGE Facility's Chart of Accounts

<b>Government chart of Accounts for CRGE</b>	
<b>Account Codes by Account Category</b>	<b>Account No</b>
<b>TRANSFERS</b>	<b>4000-4099</b>
<b>Cash Transfers</b>	<b>4000-4049</b>
Recurrent salary and allowances	4001
Recurrent operating expenditure	4002
Capital salary and allowances	4003
Capital expenditure	4004
Staff Advances	4005
CHANNEL 1 funds	4006
Grace period payables	4007
Between BI and/or region	4008
Other cash transfers	4009
Within BI or MOFED	4010
Transfers between BoFED and D/OFED (non subsidy transfers)	4011
Transfer to and from zero balance bank account	4017
<b>Non-Cash Transfers</b>	<b>4050-4099</b>
Recurrent salary and allowances: non-cash	4051
Recurrent operating expenditure: non-cash	4052
Capital salary and allowances: non-cash	4053
Capital expenditure: non-cash	4054
Other non-cash transfers	4055
<b>ASSETS</b>	<b>4100-4199</b>
<b>Cash and Cash Equivalentts</b>	<b>4100-4199</b>
Cash on hand	4101
Cash at bank in foreign currency	4102
Cash at bank	4103
Cash at bank in central treasury	4105
General budget support from loan	4106
General budget support from assistance	4107
Commodity credit grant	4108
Grant deposit account	4109
Channel 1 - Loan	4110
Channel 1 - Assistance	4112
Sinking fund	4113

Deposit in transit	4114
<b>Receivables</b>	<b>4200-4299</b>
Suspense	4201
Cash shortage	4202
<b>Advances</b>	<b>4203-4249</b>
Advance to staff from salary	4203
Advance to BI for Channel 1	4204
Advance to BI for staff from next year's budget	4205
Advance to BI for recurrent expenditures from next year's budget	4206
Advance to BI for capital expenditures from next year's budget	4207
Advance to regions	4208
Other advances to BI	4209
Other advances within government	4210
Other advances to staff – Purchases	4211
<b>Prepayments</b>	<b>4250-4269</b>
Advance to contractors	4251
Advance to consultant	4252
Advance to supplier	4253
Other advances outside government	4254
<b>Other Receivables</b>	<b>4270-4299</b>
Peasant associations	4271
Cooperatives	4272
Individuals and private organizations	4273
Other	4274
<b>Goods in Transit</b>	<b>4300-4399</b>
Stocks	4301
Fixed assets	4302
<b>Stocks</b>	<b>4400-4499</b>
Uniforms, clothing, bedding	4401
Office supplies	4402
Printed materials	4403
Medical supplies	4404
Educational supplies	4405
Food	4406
Fuel and lubricants	4407
Miscellaneous equipment	4408

Agriculture, forestry and marine inputs	4409
Veterinary supplies and drugs	4410
Research and development supplies	4411
Ammunition and ordinance	4412
Building and construction materials	4413
Spare parts	4414
Factory raw materials	4415
Factory work-in-progress	4416
Factory finished goods	4417
Other materials and supplies	4418
<b>Fixed Assets</b>	<b>4500-4599</b>
<b>Construction in Progress</b>	<b>4500-4519</b>
Construction of buildings – residential	4501
Construction of buildings – non-residential	4502
Construction of infrastructure	4503
Construction for military purpose	4504
<b>Property and Equipment</b>	<b>4520-4599</b>
Vehicles and other vehicular transport	4521
Aircraft, boats, etc.	4522
Plant machinery and equipment	4523
Military equipment	4524
Buildings – residential	4525
Buildings – non-residential	4526
Infrastructure	4527
Military purpose buildings	4528
Furnishings and fixtures	4529
Livestock and transport animals	4530
<b>Long Term Loans</b>	<b>4700-4799</b>
<b>Long Term Loans to Public Enterprises</b>	<b>4700-4719</b>
Food sector	4701
Beverage	4702
Textile leather	4703
Trade and industry	4704
Chemical	4705
Printing	4706
Trade	4707

Metal	4708
Agriculture	4709
Financial institutions	4710
Hotel and tourism	4711
Transport and communication	4712
Construction	4713
Mining and energy	4714
Others	4715
<b>Investments</b>	<b>4800-4899</b>
<b>Public Enterprises</b>	<b>4800-4819</b>
Food sector	4801
Beverage	4802
Textile leather	4803
Chemical	4804
Printing	4805
Trade	4806
Metal	4807
Agriculture	4808
Financial institutions	4809
Hotel and tourism	4810
Transport and communication	4811
Construction	4812
Mining and energy	4813
Others	4814
<b>Private Organizations</b>	<b>4820-4899</b>
MOENCO	4821
<b>LIABILITIES</b>	<b>5000-5499</b>
<b>Payables</b>	<b>5000-5099</b>
<b>Accounts Payable</b>	<b>5000-5019</b>
Grace period payables	5001
Sundry creditors	5002
Pension contribution payable	5003
Salary payable	5004
Other payroll deductions	5005
Withholding tax payable	5006
Cost Sharing	5007

<b>Payables within Government</b>	<b>5020-5039</b>
Due to staff	5021
Due to MOFED for Channel 1	5022
Due to MOFED for staff from next year's budget	5023
Due to MOFED for recurrent expenditures from next year's budget	5024
Due to MOFED for capital expenditures from next year's budget	5025
Due to regions	5026
Other payables to MOFED	5027
Other payables within government	5028
Family pay	5029
Repatriation	5030
Internally displaced persons	5031
Demobilization	5032
War Veterans	5033
Due to MOFED revolving Fund	5035
<b>Domestic Borrowings – Short-term</b>	<b>5040-5049</b>
Direct advances	5041
28 day treasury bill	5042
91 day treasury bill	5043
182 day treasury bill	5044
<b>Deposits</b>	<b>5050-5059</b>
Custom deposits	5051
Court deposits	5052
Hospital deposits	5053
Other deposits	5054
Bid bond deposit	5055
Counterpart fund deposits for commodity credit grant	5056
Counterpart fund deposits for grant deposit account	5057
VAT Retention Payable	5058
VAT payable	5059
<b>Retentions</b>	<b>5060-5069</b>
Retention	5061
<b>Long-Term Debt</b>	<b>5100-5399</b>
<b>Local Loans</b>	<b>5100-5149</b>
Bonds	5101
Special bonds	5102

<b>Foreign Loans</b>	<b>5150-5399</b>
Special Purpose Loans	5150-5179
Private Loans	5180-5199
Multilateral	5200-5299
Bilateral	5300 -5399
<b>NET ASSETS/EQUITY</b>	<b>5600-5699</b>
Net Assets/Equity	5601
<b>Capital and Reserve Funds</b>	<b>5610-5699</b>
Sinking Fund	5611
Capital in Public Enterprises	5612
Capital in Private Organizations	5613
Fuel Stabilization Fund	5616
<b>Expenditure</b>	<b>6000-6999</b>
Salaries to permanent staff	6111
Wages to contract staff	6113
Wages to casual staff	6114
Wages to external contract staff	6115
Miscellaneous payments to staff	6116
Allowances to permanent staff	6121
Allowances to contract staff	6123
Allowances to external contract staff	6124
Government contribution to permanent staff pension	6131
Uniforms, clothing, bedding	6211
Office supplies	6212
Printing	6213
Medical supplies	6214
Educational supplies	6215
Food	6216
Fuel and lubricants	6217
Other material and supplies	6218
Miscellaneous equipment	6219
Agriculture, forestry and marine inputs	6221
'Veterinary supplies and drugs	6222
'Research and development supplies	6223
Per diem	6231
Transport fees	6232

Official entertainment	6233
Maintenance and repair of vehicles and other transport	6241
Maintenance and repair of aircraft and boats	6242
Maintenance and repair of plant, and machinery, and equipment	6243
Maintenance and repair of buildings, furnishings and fixtures	6244
Maintenance and repair of infrastructure	6245
Contracted professional services	6251
Rent	6252
Advertising	6253
Insurance	6254
Freight	6255
Fees and charges	6256
Electric charges	6257
Telecommunication charges	6258
Water and other utilities	6259
Local training	6271
External training	6272
Stocks of food	6281
Stocks of fuel	6282
Other stocks	6283
Purchase of vehicles and other vehicular transport	6311
Purchase of aircraft, boats, etc.	6312
Purchase of plant, machinery and equipment	6313
Purchase of buildings, furnishings and fixtures	6314
Purchase of livestock and transport animals	6315
Pre-construction activities	6321
Construction of buildings-residential	6322
Construction of buildings-non-residential	6323
Construction of infrastructure	6324
Construction Supervisor	6326
Grants, contributions and subsidies to institutions and enterprises	6412
Government investment	6413
Contributions to international organizations	6414
Compensation to individuals and institutions	6416
Grants and gratuities to individuals	6417
Miscellaneous payments	6419





**Annex 6(2): List of Specialist Financial Intermediaries**

Annex 6(3): Standard Government Reporting Format

**Capital Expenditure Report**

Name of Public Body: \_\_\_\_\_ Code \_\_\_\_\_ Month \_\_\_\_\_  
 Name of Program: \_\_\_\_\_ Code \_\_\_\_\_  
 Name of Sub Agency: \_\_\_\_\_ Code \_\_\_\_\_  
 Name of Sub Program: \_\_\_\_\_ Code \_\_\_\_\_  
 Name of Project: \_\_\_\_\_ Code \_\_\_\_\_  
 Source of Finance: \_\_\_\_\_ Code \_\_\_\_\_  
 Bank Account Number: \_\_\_\_\_

Account Code	Account Description	YTD Expenditure	
		Debit	Credit
6111	Salaries to permanent staff		
6113	Wages to contract staff		
6114	Wages to casual staff		
6115	Wages to external contract staff		
6116	Miscellaneous payments to staff		
6121	Allowances to permanent staff		
6123	Allowances to contract staff		
6124	Allowances to external contract staff		
6131	Government contribution to permanent staff pension		
6211	Uniforms, clothing, bedding		
6212	Office supplies		
6213	Printing		
6214	Medical supplies		
6215	Educational supplies		
6216	Food		
6217	Fuel and lubricants		
6218	Other material and supplies		
6219	Miscellaneous equipment		
6221	Agriculture, forestry and marine inputs		
6222	'Veterinary supplies and drugs		
6223	'Research and development supplies		
6231	Per diem		
6232	Transport fees		
6233	Official entertainment		
6241	Maintenance and repair of vehicles and other transport		
6242	Maintenance and repair of aircraft and boats		

6243	Maintenance and repair of plant, and machinery, and equipment		
6244	Maintenance and repair of buildings, furnishings and fixtures		
6245	Maintenance and repair of infrastructure		
6251	Contracted professional services		
6252	Rent		
6253	Advertising		
6254	Insurance		
6255	Freight		
6256	Fees and charges		
6257	Electric charges		
6258	Telecommunication charges		
6259	Water and other utilities		
6271	Local training		
6272	External training		
6281	Stocks of food		
6282	Stocks of fuel		
6283	Other stocks		
6311	Purchase of vehicles and other vehicular transport		
6312	Purchase of aircraft, boats, etc.		
6313	Purchase of plant, machinery and equipment		
6314	Purchase of buildings, furnishings and fixtures		
6315	Purchase of livestock and transport animals		
6321	Pre-construction activities		
6322	Construction of buildings-residential		
6323	Construction of buildings-non-residential		
6324	Construction of infrastructure		
6326	Construction Supervisor		
6412	Grants, contributions and subsidies to institutions and enterprises		
6413	Government investment		
6414	Contributions to international organizations		
6416	Compensation to individuals and institutions		
6417	Grants and gratuities to individuals		
6419	Miscellaneous payments		
	<b>Total (To Trial Balance)</b>		

**Revenue /Assistance/ Loan Report**

Name of Public Body:

Code

Month \_\_\_\_\_

Name of Program: \_\_\_\_\_ Code \_\_\_\_\_  
 Name of Sub Agency: \_\_\_\_\_ Code \_\_\_\_\_  
 Name of Sub Program: \_\_\_\_\_ Code \_\_\_\_\_  
 Name of Project: \_\_\_\_\_ Code \_\_\_\_\_  
 Source of Finance: \_\_\_\_\_ Code \_\_\_\_\_  
 Bank Account Number: \_\_\_\_\_

Account Code	Account Description	YTD Revenue	
		Debit	Credit
1101	Tax on wages and salaries		
1465	Interest on loans to government employees		
1485	Other miscellaneous revenue		
<b>Total /To Trial Balance/</b>			

**Receivables**

Name of Public Body: \_\_\_\_\_ Code \_\_\_\_\_ Month \_\_\_\_\_  
 Name of Program: \_\_\_\_\_ Code \_\_\_\_\_  
 Name of Sub Agency: \_\_\_\_\_ Code \_\_\_\_\_

Name of Sub Program:

\_\_\_\_\_

Code \_\_\_\_\_

Name of Project:

\_\_\_\_\_

Code \_\_\_\_\_

Source of Finance:

\_\_\_\_\_

Code \_\_\_\_\_

Bank Account Number: \_\_\_\_\_

<b>Account Code</b>	<b>Account Description</b>	<b>Debit</b>	<b>Credit</b>
4201	Suspense		
4202	Cash Shortage		
4203	Advance to Staff		
4204	Advance for SSDP		
4205	Advance for Staff from next year's budget		
4206	Advance for recurrent expenditures from next year's budget		
4207	Advance for Capital expenditures from next year's budget		
4208	Advance to regions		
4209	Other advance to BI		
4210	Other advances within government		
4251	Advance to contractors		
4252	Advance to Consultants		
4253	Advance to suppliers		
4254	Other advances outside government		
4271	Peasant associations		
4272	Cooperatives		
4273	Individuals and private organization		
4274	Others		
	Total (To Trial Blanca)		

**Payables Report**

Name of Public Body: \_\_\_\_\_ Code \_\_\_\_\_ Month \_\_\_\_\_

Name of Program: \_\_\_\_\_ Code \_\_\_\_\_

Name of Sub Agency: \_\_\_\_\_ Code \_\_\_\_\_

Name of Sub Program: \_\_\_\_\_ Code \_\_\_\_\_

Name of Project: \_\_\_\_\_ Code \_\_\_\_\_

Source of Finance: \_\_\_\_\_ Code \_\_\_\_\_

Bank Account Number: \_\_\_\_\_

Account Code	Account Description	Debit	Credit
5001	Grace period payables		
5002	Sundry Creditors		
5003	Pension Contribution Payable		
5004	Salary Payable		
5021	Due to Staff		
5022	Due to MoFED for SSDP		
5023	Due to MoFED for Staff from next year's budget		
5024	Due to MoFED for recurrent expenditures from next year's budget		
5025	Due to MoFED for Capital expenditures from next year's budget		
5026	Due to regions		
5027	Other payables to MoFED		
5028	Other Payables within government		
5051	Custom deposits		
5052	Court deposits		
5053	Hospital deposits		
5054	Other deposits		
5061	Retention on counteract		
	Total (To Trial Blanca)		

**Fund Transfer Report**

**Code**

**Name of Reporting Unit:** \_\_\_\_\_

\_\_\_\_\_ **Month/Year**

**Bank Account Number:** \_\_\_\_\_

\_\_\_\_\_

Account Code	Account Description	YTD Balance	
		Debit	Credit
4001	Recurrent Salary and allowances		
4002	Recurrent Operating Expenditure		
4003	Capital Salary and allowances		
4004	Capital Expenditure		
4005	Staff Advances		
4006	SSDP funds		
4007	Grace Period Payables		
4008	Between BI and/or region		
4009	Other cash transfers		
4010	Within BI or MOFED		
4011	Transfers between MOFED and BOFED		
4017	Transfer to and from zero balance bank account		
4051	Recurrent Salary and allowances : non-cash		
4052	Recurrent Operating Expenditure : non-cash		
4053	Capital Salary and allowances: non-cash		
4054	Capital expenditure: non-cash		
4055	Other non-cash transfer		
Total to Trial Balance			

**Trial Balance**

Name of Public Body: _____	Code _____	Month _____
Name of Program: _____	Code _____	_____
Name of Sub Agency: _____	Code _____	
Name of Sub Program: _____	Code _____	
Name of Project: _____	Code _____	
Source of Finance: _____	Code _____	
Bank Account Number: _____		

Account Code	Account Description	Debit	Credit
	Revenues/Assistance/Loan: (From Revenue/Assistance/Loan Report)		
	Expenditures:		
	Recurrent expenditure (Total of Recurrent Expenditure Reports)		
	Capital expenditure (Total of Capital Expenditure Reports)		
	<b>Transfers:</b> (from Transfer Report)		
	<b>Receivables:</b> (from Receivables Report)		
	<b>Payables:</b> (from payables Report)		
	<b>Letters of Credit:</b> (by account code-from General Ledger)		
5601	Net Assets/Equity (form General Ledger)		
	<b>Cash &amp; Cash Equivalent</b> s (by account code-from General Ledger)		
4101	Cash on hand		
4102	Cash at bank in foreign currency		
4103	Cash at bank		
	<b>Total</b>		



Annex 6(4): Standard Format of 'Report on Sources and Uses of Funds'

**SOURCES AND USES OF FUNDS BY -----**

**FOR THE QUARTER ENDED -----**

Description	Brought forward (previous cumulative)	Quarter	Current Cumulative	Forecast : Next Six months		
				1 <sup>st</sup> Quarter	2 <sup>nd</sup> Quarter	Total
<b>Sources:</b>						
Donor's						
Government						
<b>TOTAL (1)</b>						
<b>Uses:</b>						
Actual expenditure incurred						
Operating Costs						
Civil Works						
Consultancy						
Supervision						
Goods						
<b>TOTAL (2)</b>						
Sources less Uses (1-2)						
Add: Opening Cash Balance						
CRGE Account						
Net Cash available						
Closing balance						
Net Facility Account						

**Interim Financial Report for CRGE Project**

**For the Quarter From ----- to -----**

Description	Current Quarter			Cumulative			Forecast		
	Planned	Actual	Variance	Planned	Actual	Variance	Planned	Actual	Variance
<b><u>Sources of Funds</u></b>									
Government Fund									
Donors Fund									
Others									
Total sources									
<b><u>Expenditures</u></b>									
Consultancy									
Goods									
Operating costs									
Training									
Others									
<b>Total</b>									

Excess of sources/Receipts									
over expenditures/payments									
Prepared By: -----	Checked By:----		Approved By: -----						

## Annex 7(1): Standard Format of the Audit Terms of Reference

### TERMS OF REFERENCE FOR AUDIT OF CRGE PROJECTS

#### 1. BACKGROUND

When preparing audit terms of reference for CRGE projects, provide the following information on the project:

- Development objectives
- Size and implementation arrangements
- Recipient(s) of the CRGE financing
- Co-financiers: the entity engaging the auditor, if acting on behalf of the recipient, implementing agency and
- The accounting period to be covered by the audit

#### 2. OBJECTIVE OF THE PROJECT AUDIT

The objective of the audit of the CRGE financial statements is to enable the auditor to express professional opinions on the financial position of the project at the end of each fiscal year, and on funds received and expenditures incurred for the relevant accounting period. The project books of accounts provide the basis for preparation of the CRGE financial statements by the project implementing agency and are established to reflect the financial transactions in respect of the project. The implementing agency maintains adequate internal controls and supporting documentation for transactions.

#### 3. SCOPE OF THE AUDIT

The audit of the project will be carried out in accordance with International Standards on Auditing (ISA) promulgated by the International Federation of Accountants (IFAC), and will include such tests and auditing procedures as the auditor will consider necessary under the circumstances. Special attention should be paid by the audit as to whether the:

- a) All external financings have been used in accordance with the conditions of the relevant financing agreement, with due attention to economy and efficiency, and only for the purposes for which the financing was provided
- b) Counterpart funds have been provided and used in accordance with the relevant financing agreements, with due attention to economy and efficiency and only for the purposes for which the financing was provided
- c) Goods, works and services financed have been procured in accordance with the relevant financing agreements including specific provisions of the donors
- d) All necessary supporting documents, records, and accounts have been maintained in respect of all project activities, including expenditures reported using statements of expenditures (SOE) or interim unaudited financial statements methods of reporting. The auditor is expected to verify that respective reports issued during the period were in agreement with the underlying books of accounts
- e) Designated accounts (if used) have been maintained in accordance with the provisions of the relevant financing agreement and funds disbursed out of the accounts were used only for the purpose intended in the financing agreement

- f) National laws and regulations have been compiled with, and that the financial and accounting procedures approved for the project ( E.g. operational manual, financial procedure manual etc) were followed and used
- g) Financial performance of the project is satisfactory
- h) Assets procured from project funds exist and there is verifiable ownership by the implementing agency or beneficiaries in line with the financing agreement
- i) Ineligible expenditures included in quarterly financial reports are identified and reimbursed to the designated accounts. These should be separately noted in the audit report

In complying with International Standards on Auditing, the auditor is expected to pay particular attention to the following matters:

- a) **Fraud and Corruption:** Consider the risk of material misstatements in the financial statements due to fraud as required by ISA 240: The Auditor's responsibility to consider fraud in an audit of financial statements. The auditor is required to identify and assess these risks (of material misstatement of the financial statements) due to fraud, obtain sufficient appropriate audit evidence about the assessed risks; and respond appropriately to identified or suspected fraud
- b) **Laws and Regulations :** In designing and performing audit procedures, evaluating and reporting the results, consider that noncompliance by the implementing agency with laws and regulations may materially affect the financial statements as required by ISA 250: Consideration of laws and regulations in an audit of financial statements
- c) **Governance :** Communicate audit matters of governance interest arising from the audit of financial statements with those charged with governance of an entity as required by International Standards on Auditing 260: Communication of Audit Matters with those Charged with Governance
- d) **Risks:** In order to reduce audit risk to an acceptable low level, determine the overall responses to assessed risks at the financial statement level and design and perform further audit procedures to respond to assessed risks at the assertion level as required by International Standards on Auditing 330: The auditor's Procedures in Response to Assessed Risks

#### 4. PROJECT FINANCIAL STATEMENTS

The auditor should verify that the CRGE financial statements have been prepared in accordance with the agreed accounting standards and give a true and fair view of the financial position of the facilities at the relevant date and of resources and expenditures for the financial year ended on that date

The facilities financial statements should include:

- a) Statement of funds received, showing funds from donors and counterpart funds separately, and of the expenditures incurred
- b) Summary of the activities in the designated account
- c) Balance sheet ( if deemed necessary)
- d) Summary of the principal accounting policies that have been adopted and other explanatory notes
- e) List of material assets acquired or procured to date with facility funds

As an annex to the project financial statements, the auditor should prepare a reconciliation of the amounts as “received by the project from the donors”, with those shown as being disbursed by the donors

**5. STATEMENT OF EXPENDITURES (SOEs)/ UNAUDITED INTERIM FINANCIAL REPORTS (IFRs)**

In addition to the audit of the project financial statements, the auditor is required to verify all SOEs or IFRs used as a basis for the submission of loan withdrawal applications to the donors. The auditor will apply such tests and auditing procedures as considered necessary under the circumstances. Annexed to the project financial statements should be a schedule listing individual SOE or IFR withdrawal applications by specific reference number and amount. The total withdrawals under the SOE or IFR procedures should be part of the overall reconciliation of bank disbursements described above

**6. DESIGNATED ACCOUNT**

In conjunction with the audit of the project financial statements, the auditor is also required to review the activities of the designated account associated with the project. The designated account usually comprises:

- Advance deposits received from the donors
- Replenishments substantiated by withdrawal applications
- Interest that may have been earned on the accounts, and which belong to the recipient
- Withdrawals related to project expenditures

The auditor should pay particular attention as to the compliance with the bank’s procedures and balances of the designated accounts at the end of the fiscal year (or period). The auditor should examine the eligibility of financial transactions during the period under examination and balances at the end of such a period, the operation and use of the designated accounts in accordance with the relevant general conditions, relevant financing agreements and disbursement letter, and the adequacy of internal controls for the type of disbursement mechanism

**7. AUDIT REPORT**

The auditor will issue an opinion on the project financial statements. The annual audit report of the project accounts should include a separate paragraph highlighting key internal control weaknesses and non-compliance with the financing agreement terms

<p><b>OPTIONAL OPINIONS</b> (to be included as appropriate, i.e. based on project financial management risk, complexities, governance issues, etc as identified during the financial management assessment)<b>Special Opinion</b></p>	<p><b>Possible rationale</b></p>
---	----------------------------------

Provision and usage of counterpart funds	Past poor compliance with financing agreement terms relating to the provision and usage of counterpart funds or abuse of counterpart funds in the country or sector or Inadequate provision or inappropriate usage of counterpart funds could affect the successful implementation of the project
Entities that received funds meet eligibility criteria	A component/s of the project involves transferring/releasing of funds to only entities that meet certain eligibility criteria or Where aide memoire, FM supervision, technical audit reports or previous experience in sector points to non-compliance with financing agreement terms relating to eligibility criteria or If entities receiving funds do not meet eligibility criteria, project implementation will be impacted adversely
Use of funds by communities and decentralized entities	Where funds are transferred to communities and decentralized entities under the project, and the assessed risk for this activity is high or substantiated
Use of funds by NGOs	Where significant amount of fund are transferred to NGOs and the assessed risk for this activity is high or substantial
Use of funds by line Ministries	Where significant amount of fund are transferred to several line Ministries and the assessed risk for this activity is high or substantial
Delivery of specified/agreed output/services	Where a project is designed around a series of verifiable output/service levels to be achieved and disbursements are at least in part, related to these output/services (e.g. a power company that is expected to increase power generation to certain specific levels in each quarter, year or specified date)

## 8. MANAGEMENT LETTER

In addition to the audit report, the auditor will prepare a management letter in which the auditor will;

- a) Give comments and observations on the accounting records, systems and controls that were examined during the course of the audit
- b) Identify specific deficiencies or areas of weaknesses in systems and controls and make recommendations for their improvement
- c) Report on the degree of compliance of each of the financial covenants in the financing agreement and give comments, if any, on internal and external matters affecting such compliance
- d) Communicate matters that have come to his/her attention during the audit which might have a significant impact on the implementation of the project
- e) Give comments on the extent to which outstanding issues/qualifications have been addressed

- f) Give comments on previous audits' recommendations that have not been satisfactorily implemented
- g) Bring to the recipient's attention any other matters that the auditor considers pertinent, including ineligible expenditures

Ideally, the management letter should also include responses from the implementing agency to the issues highlighted by the auditor

#### **9. AVAILABLE INFORMATION**

The auditor should have access to all legal documents, correspondences, and any other information associated with the project and deemed necessary by the auditor. The auditor will also obtain confirmation of amounts disbursed and outstanding at the bank. Available information should include copies of the relevant project appraisal document, financing agreement, financial management assessment reports, supervision mission reports and implementation status reports

#### **10. GENERAL**

The financial statements, including the audit report, management letter and management responses should be received by the bank not later than ---- months after the end of the accounting year to which the audit relates.

The auditor should submit the report to the recipient's designated agent rather than to any staff member of the project entity. The agent should then promptly forward two copies of the audit report and accompanying statements to the donors together with the management letter and management responses

It is highly desirable that the auditor become familiar with the donors' guidelines on annual financial reporting for donor financed activities which summarizes the donors' financial reporting and auditing requirements. The auditor should be familiar with donors' procurement guidelines which can be obtained from the project implementing agency. The auditor should also be familiar with the donors' disbursement guidelines for projects.

Annex 10(1): Standard Proposal Form

CONCEPT NOTE SUBMISSOIN TEMPLATE: TEMPLATE A

Fast Track Investment: CONCEPT NOTE FORM		
SECTION 1: INFORMATION ABOUT THE ORGANISATION APPLYING		
1.1	Organization name	
1.2	Office address	
1.3	Website address <i>(If applicable)</i>	
1.4	Main contact person	Name:  Position:  Email:  Tel:
1.5	List the ongoing projects that are being implemented by your institution and are CRGE related.	
SECTION 2: BASIC INFORMATION ABOUT THE PROPOSED PROJECT		
2.1	Project title <i>(State your project title in a clear statement that shows what you are intending to achieve).</i>	
2.2	Where will the project be implemented?  <i>(Federal / Region level/woreda/Kebele) Please briefly describe the geographical location, Socio-Economic description and the description</i>	



	<i>of the biological and physical Environment.</i>	
<b>2.3</b>	<b>Estimated project duration</b>  <i>(in number of months: please also show as, dd/mm/yy to dd/mm/yy)</i>	
<b>2.4</b>	<b>What is the likely total cost of the project? (In US Dollars)</b>	\$
<b>2.5</b>	<b>ACRONYMS</b>  <i>(Please list all acronyms used in your application, spelling out each one in full:) Eg: MEF: Ministry of Environment and Forest MoA: Ministry of Agriculture</i>	
<b>SECTION 3: FURTHER INFORMATION ABOUT THE PROPOSED PROJECT</b>  <b><i>(Maximum 3 pages for the whole of Section 3)</i></b>		
<b>3.1</b>	<b>PURPOSE, OBJECTIVE, SPECIFIC OBJECTIVES, APPROACH</b>	
<b>3.1.1</b>	<b>Project Background:</b> <i>(Outline the overall aim of the project, the expected impact, outcome and outputs of the project. Describe clearly what change it intends to achieve, and who will benefit). (Please don't exceed 150)</i>	
<b>3.1.2</b>	<b>Why</b> is this project needed at this time (Problem Statement)? <i>(Clearly state evidence based justification of why the implementation of this project is necessary in terms of climate change adaptation and/or mitigation/ what type of environmental, social and economic problems will be addressed because of this intervention. Define the problem observed in relation to the targeted group, targeted beneficiaries and give concrete examples on the problems)</i>	
<b>3.1.3</b>	<b>What</b> specific change is this project intended to achieve? <i>(In this case write the 'General Objective' and then "Specific Objectives" ensure your objectives are set in a Specific, Measurable, Achievable, Realistic and Time bound (SMART) in such a way that they address specific climate change adaptation and/or mitigation objectives and expected results.)</i>	

<b>3.1.4</b>	<b>What</b> are the activities to be implemented by the project to achieve the specific objectives described? <i>(Describe briefly the main activities planned to be implemented in this project in a clear statement in logical and sequential order in number or bullets. Be sure that the activities are aligned with the objective stated in section 3.1.2)</i>
<b>3.1.5</b>	<b>How</b> will project monitoring and evaluation (M&E) and lesson learning be undertaken? <i>(please indicate who will be responsible for evaluation, how the project will be monitored and evaluated (methodologies such as field work, desk review, interview, etc should be outlined). You need to describe how you are going to monitor the project to ensure that it stays on track and it is delivering the expected impact)</i>
<b>3.2.</b>	<b>FULFILMENT OF ELIGIBILITY CRITERIA</b>
<b>3.2.1</b>	<b>What</b> will be the strategic benefit of your project in terms of contributing to Ethiopia's climate resilient green economy? <i>(Please indicate the options that you have identified from the CR and/or GE options?)</i>
<b>3.2.2</b>	Where relevant, identify with <b>which</b> existing programme will this activity be complemented? <i>(please show how the activities in this project complement but not overlap with existing programmes)</i>
<b>3.2.3</b>	<b>How</b> will your proposed activities contribute to poverty reduction? <i>(Please show how the implementation of the activities planned would contribute to the improvement of household income, creation of women and youth employment while enhancing the ecosystem/environment service giving capacity in a sustainable way)</i>
<b>3.2.4</b>	<b>What</b> are the expected benefits towards gender equality and equity from your proposed activities? <i>( please show how the project ensures women's meaningful participation and equity, child welfare? please also show the means of verification of this participation and equity.)</i>
<b>3.2.5</b>	<b>Who</b> are the direct beneficiaries and who are partners working in the project and what roles do they have? <i>(please clearly show the direct beneficiaries of the project, parties who take part in the implementation of</i>

	<i>activities as it helps to show who is going to benefit, who is responsible or be partner for which type of task/activity?)</i>
<b>3.2.7</b>	<b>How</b> will the project activities be sustainable in the long term and what is the potential for scaling up? <i>(Please show what type of approaches are designed to ensure that project activities under implementation will be carried over even after the termination of the project. Please also show that how the results of the project can be scaled up to other wider communities, geographical scope or other entities).</i>
<b>3.2.8</b>	<b>What</b> is the expected negative social and environmental <i>impacts (Please refer to FDRE Proclamation 299/2002 and Regulation No. 1/2007 for the national environmental and safeguards requirements when responding)</i> ? <b>How</b> do the expected negative social and environmental impacts due to the implementation of the project be tackled?
<b>3.2.9</b>	<b>How</b> will the projects take into account occupational health and safety aspects in line with Ethiopia's has a specific Proclamation on occupational health and safety (Proc. No. 377/2002)? <i>(As appropriate, please indicate what type of occupational health and safety practice will be considered during the implementation of the project)</i>
<b>SECTION 4. YOUR SUPPORT NEEDS</b>	
<b>4.1</b>	<b>What</b> information, training and support does your organisation need to develop a high quality proposal and implement high impact activities, if the concept note is approved? What is the best way to deliver this support? <i>(please indicate the technical support needed in brief)</i>

## 7.2 Fast Track Proposal Template: Template B

### Fast Track Investment

#### PROJECT PROPOSAL FORM

Please note the following page limits:

Sections 1-2 : 3 sides of A4

Sections 3-4 : 3 sides of A4

Sections 5-7 : 3 sides of A4

Please complete all sections even if some responses are the same as those submitted at the Concept note stage.

This proposal should include the following annexes:

1. Annex A. Project log frame and activities log
2. Annex B. Project work plan
3. Annex C. Detailed project budget
4. Annex D. environmental and social impact checklist
5. Annex E. Project Risk matrix

#### SECTION 1: SUMMARY OF THE PROJECT DATA

<b>1.1</b>	<b>Project title</b> ( <i>State your project title in a clear statement that shows what you are intending to do</i> )	
<b>1.2</b>	<b>Project summary</b> ( <i>The summary paragraph should provide an overview of the proposed project, useful for potential donor or parties interested in gaining a better understanding of the projects in a word limit of 150 words. The executive summary should include:</i>  ➤ <i>the problem statement;</i>	

	<ul style="list-style-type: none"> <li>➤ <i>the project's objectives;</i></li> <li>➤ <i>implementing organizations;</i></li> <li>➤ <i>key project activities; and</i></li> <li>➤ <i>the total project budget)</i></li> </ul>	
<b>1.3</b>	<b>Lead organisation</b> ( <i>indicate the organization by which the execution of the project will be conducted</i> )	
<b>1.5</b>	<b>Anticipated start date</b> (DD/MM/YYYY)	
<b>1.6</b>	<b>Project duration</b> ( <i>in number of months: please also show as, dd/mm/yy to dd/mm/yy</i> )	
<b>1.7</b>	<b>Total funding requested</b> (in USD) ( <i>You are expected to provide budget details in Activity Schedule and budget Section 7</i> )	
<b>1.8</b>	<p><b>Please list all acronyms used in your application</b> (<i>Please list all acronyms used in your application, spelling out each one in full:)</i>)</p> <p><i>Eg: MEF: Ministry of Environment and Forest</i></p>	
<b>SECTION 2: INFORMATION ABOUT THE APPLICANT</b>		
<b>2.1</b>	<b>Organisation name</b>	
<b>2.2</b>	<b>Office address</b> ( <i>please write Region, Woreda, city, Kifle Ketema, Tel No,(cell and fixed) Fax, E-mail</i> )	
<b>2.3</b>	<b>Website address</b> ( <i>if applicable</i> )	

2.5	<p><b>Contact person/ Project Lead</b> <i>(the person who has ultimate responsibility for delivering this project who is the CRGE focal person. Write his/her Tel No, (cell and fixed) Fax, E-mail).</i></p>	
<p><b>SECTION 3: INFORMATION ABOUT THE PROJECT</b></p>		
3.1	<p><b>Project Background:</b> <i>(Outline the overall aim of the project, the expected impact, outcome and outputs of the project. Describe clearly what change it intends to achieve, and who will benefit).</i></p>	
3.1.1	<p><b>Why</b> is this project needed (Problem Statement)? <i>(Clearly state evidence based justification of why the implementation of this project is necessary in terms of climate change adaptation and/or mitigation/ what type of environmental, social and economic problems will be solved because of the implementation of the project. Define the problem observed in relation to the targeted group, targeted institutions and give concrete examples on the problems)</i></p>	
3.1.2	<p><b>Who</b> are the beneficiaries of this project and what expected impact will this have on their present circumstance? <i>(Clearly state the direct beneficiaries of the project as well as the indirect beneficiaries. It is also necessary to clearly state what type of change and impact will the implementation of the project will bring on their current situation of those direct and indirect beneficiaries).</i></p>	
3.1.3	<p><b>What</b> change is this project intended to achieve? State project impact, outcome and outputs on the environment, biodiversity condition, land degradation, pollution, etc as appropriate) <i>(these should be taken from the project logframe/result matrix in section 9 ).</i></p>	
3.2	<p><b>APPROACH AND METHODOLOGY</b></p>	
3.2.1	<p><b>How</b> will the project impact, outcome and outputs be achieved? Clearly describe the approach and methodology to be followed and list out activities planned in logical sequence. <i>( you will include a work plan and activity log in section 7 and 8)</i></p>	

<b>3.3</b>	<b>PROJECT MANAGEMENT AND IMPLEMENTATION</b>
<b>3.3.1</b>	<b>Who</b> will be carrying out the different project activities? (Describe the project implementation and management arrangements, including a clear description of the roles and responsibilities of each of the partners and the coordination role. <i>(make sure that this will be consistent with the description you showed in the log frame/result matrix. You may wish also to present this as an appendix in the form of an organogram of how partners relate to each other).</i> )
<b>SECTION 4: MONITORING, EVALUATION, LESSON LEARNING</b>	
<b>4.1</b>	<b>How</b> will the performance of the project be monitored and evaluated? <i>(Describe the responsible bodies and actors who will involve in the M&amp;E, lessons learning as consistent with the log frame. Please also describe how the logframe will be used as a key monitoring tool).</i>
<b>4.2</b>	In brief, outline how this project will contribute towards providing the information required for national climate resilience and mitigation agenda. <i>(please describe how the project contributes to the initiatives of the Ethiopian Climate Resilient Green Economy Strategy agenda).</i>
<b>4.3</b>	<b>How</b> will you involve beneficiaries in monitoring and evaluation? <i>(Clearly show how the beneficiaries themselves will be involved in the day to day and/or timely project monitoring and evaluation. Please note that M&amp;E plans that are more inclusive will be favoured).</i>
<b>4.4</b>	<b>How</b> will you monitor organizational capacity building and change over the life of the project? <i>(Please describe the monitoring mechanism of capacity built and change obtained during the project life).</i>
<b>4.5</b>	<b>Lesson learning:</b> <i>(Please list the learning activities and lesson sharing strategy of the project).</i>

4.6	<b>Develop MRV plan:</b> Please show what the MRV will look like
<b>SECTION 5: PROJECT RISKS AND MITIGATION</b>	
5.1	Please outline the main risks to successful delivery of this project indicating whether they are high, medium or low. How will these risks be mitigated? If the risks are outside your direct control, how will the project design address them? <i>(Please complete the risk matrix in Section 10)</i>
5.2	What risks, if any, does this project pose to the environment, people or institutions affected by the project and how will these be managed and/or mitigated? Please complete Annex D environmental and social impact checklist and consider safeguard policy measures
<b>SECTION 6: STANDARDS FOR APPLICATION</b>	
6.1	<b>Scale up: How do you insure that the project results can be scaled up?</b>
6.2	<b>Impacts and benefits to the poor: How</b> will the proposed project activities contribute to poverty reduction?
6.3	<b>Impacts and benefits on gender: <u>What</u></b> are the expected benefits towards gender equality and equity from your proposed activities?
6.4	<b>Partnership: How</b> will the project foster greater partnership between climate actors in Ethiopia, and/or between Ethiopian climate actors and international counterparts?



6.5	<b>Results based: What</b> results will the project deliver?	
6.6	<b>Sustainability: How</b> will the benefits delivered by the project be sustained after FTI funding comes to an end?	
6.7	<b>Safeguard measures: What</b> is the expected negative social and environmental impacts (FDRE Proclamation 299/2002 and Regulation No. 1/2007 for the national environmental and safeguards requirements when responding)	
6.8	<b>Occupational Health:</b> How will the projects take into account occupational health and safety aspects in line with Ethiopia's has a specific Proclamation on occupational health and safety (Proc. No. 377/2002)? <i>(As appropriate, please indicate what type of occupational health and safety practice will be considered during the implementation of the project)</i>	
<b>SECTION 7. BUDGET AND SUPPORT NEEDS</b>		
7.1	<b>Total cost of the Project (USD)</b>	\$
7.2	<b>Indicate if there is similar imitative/s which this project would complement (Its name and remaining budget)</b>	
7.3	<b>What</b> information, training and technical support does your organization need for the proposed project activities to have a high impact? How will this support be obtained (E.g. onsite supprt, training, workshop, etc)? What is the best way to deliver this training and technical support?	

## 8. Activity schedule and budget (with Example)

Component and output	Outputs	Activity Description	Total	2014				Budget description in GB Pound Sterling	Amount in GB	Implementing organization
				Q1	Q2	Q3	Q4			
I. Preparatory phase	Output 1: Major actors and beneficiaries in CRGE implementation become committed for effective implementation of the capacity building project	1.1 Stakeholders' Engagement (launching workshop)		X				<ul style="list-style-type: none"> <li>Perdiem</li> <li>Other workshops expenses</li> </ul>	10,000	MEF in collaboration with relevant Regional and Sectoral Agencies
			20,000	2000					10,000	
II. Human capacity building (training):	Output 2: The Human capacity for the implementation of CRGE at Federal and Regional level improved	2.1 Awareness on CRGE/SRM and its implementation in two rounds for 100 MEF, sectoral environmental units, Regions, CSOs,		X				<ul style="list-style-type: none"> <li>Awareness Workshop</li> <li>Perdiem</li> <li>Travel</li> <li>Supplies</li> </ul>	24,000 11,000 11,000 4,000	MEF in collaboration with Regional Environment and Forest Bureaus, the 7 CRGE Sectors and CSOs

Component and output	Outputs	Activity Description	Total	2014				Budget description in GB Pound Sterling	Amount in GB	Implementing organization
				Q1	Q2	Q3	Q4			
		Federal and Regional Parliamentary								

## 9. Result/Logical Framework (with Examples)

Intended Results	Indicators	Activities	Means of Verification	Responsible Parties	Inputs
<b>Outcomes:</b> <ul style="list-style-type: none"> <li>▪ <b>CRGE outcomes (mitigation and adaptation) :</b></li> <li>▪ <b>GTP outcomes:</b></li> </ul>					
<b>Output 1: Major actors and beneficiaries in CRGE implementation become committed for effective implementation of the capacity building project</b>	Major actors and beneficiaries of the project identified and participated in the launching workshop	1.1 Stakeholders' Engagement (launching workshop)	<ul style="list-style-type: none"> <li>• The list of actors and beneficiaries participated in the workshop</li> <li>• Workshop proceeding</li> </ul>	<ul style="list-style-type: none"> <li>• MEF: To organize the launching workshop</li> <li>• Sector and Regional partners: to assign relevant person</li> </ul>	<ul style="list-style-type: none"> <li>• Workshop materials (CRGE vision, materials on the objective of the workshop)</li> <li>• Workshop presenter</li> <li>• Supplies</li> </ul>
		1.2 XXXXXX	• XXXXX	• XXXXX	• XXXXX
			•	•	•
<b>Output 2: The Human capacity for the implementation of CRGE at Federal and Regional level improved</b>	The trainings identified are conducted and feedback obtained	2,1 Awareness on CRGE/SRM and its implementation in two rounds for 100 MEF, sectoral environmental units, Regions, CSOs, Federal and Regional Parliamentarian	<ul style="list-style-type: none"> <li>• Training proceeding</li> <li>• Number of trainers</li> </ul>	<ul style="list-style-type: none"> <li>• MEF: on organizing the training</li> <li>• Regions, Sectors and CSOs: on identifying participants</li> </ul>	<ul style="list-style-type: none"> <li>• Trainer</li> <li>• Training materials</li> </ul>

Intended Results	Indicators	Activities	Means of Verification	Responsible Parties	Inputs
		2.2 XXXX	<ul style="list-style-type: none"> <li>• XXXXX</li> </ul>	<ul style="list-style-type: none"> <li>• XXXX</li> </ul>	<ul style="list-style-type: none"> <li>• XXXX</li> </ul>

10. **Risk Matrix:** (Indicate risks, including climate change, potential social and environmental risks that might prevent the project objectives from being achieved, and, if possible, propose measures tht address these risks to be further developed during the project design.

Risk	Level of Risk (High,/Medium or low)	Mitigation Action

## Annex 10(2): CRGE Technical and Financial Appraisal Methodology

The methodology is under development by MEF, and will be completed in 2014. Among other things, it will consider the following;

### Desired Outcomes

The Facility shall finance high quality 'bankable' investment proposals, which can be implemented at the community, regional, national or transboundary level. A concrete investment proposal is defined as a statement of a set of activities aimed at reducing the cost of countering vulnerability and/or reducing the quantified greenhouse gas emissions whilst contributing to economic development objectives.

The provision of funding from the Facility will be in accordance with the CRGE's strategic priorities as well as those of the relevant Implementing Entity. Therefore, the proponent is required to provide to the CRGE Facility through the relevant Implementing Entity justification of the extent to which the proposal contributes to reduction results.

The Facility should finance investments that are of strategic scale/minimum size to drive transformative impact and reduce transaction costs.

### Validation Requirements

Investment proposals should not be validated if their future is likely to be dependent on a continuous flow of financial support from The Facility. An investment proposal should rather have the potential to achieve a substantial reduction in the need for financial backing after the initial support provided. Therefore, the concerned Implementing Entity in consultation with the concerned Executing Entity is required to ensure the achievability of the outcome of the investment proposal once the support of the Facility is used up.

Because each eligible Executing Entity may face barriers, financing from The Facility will be tailored to address the specific barriers identified in each investment proposal. Therefore, the financial support of The Facility should be used to enable an investment in reducing the rising cost of vulnerability and the specified quantity of emissions from the business-as-usual reference level.

### Types of Reduction Actions

Reduction actions spans from unsupported, supported, rewarded to credited actions.

Unsupported reduction actions will be encouraged, but will not be obligated, to fulfil strict measurement, reporting and verification requirements. However, they may be recorded and recognised as Ethiopia's contribution to the global good.

Supported, rewarded and credited reduction actions have to comply with strict measurement, reporting and verification requirements.

## Sectoral and Thematic Reduction Action Plans

Implementing Entities shall aim to maximise both climate and development benefits at the lowest possible cost by adopting sectoral reduction actions.

The adoption and implementation of sectoral reduction actions for poverty eradication and sustainable development shall be guided, inter alia, by the following key principles:

1. **Regional dimension.** The SRAPs need to consolidate and harmonise a federal and regional vision for each sector or thematic issue. For example, the Energy SRAP will need to incorporate both federal level priorities (large scale hydro), with regional level priorities (Tigray's plans for rural electrification). Both sets of priorities need to be reflected in the SRAP while eliminating duplication between federal and regional level instruments. The Federal Line Ministries will lead in developing the SRAPs but they will need to take into proactively engage with the Regional Governments. The Regional Governments in turn will need to solicit and consolidate views from their zonal and woreda level authorities.
2. **Stocktaking.** SRAPs make a detailed review of all current interventions, plans and policies of the sector (at the regional and federal level). This is used to set baselines, targets and to inform the selection of and prioritisation of interventions to reduce emissions and vulnerability.
3. **Baselines.** SRAPs identify the current level of economic development, emissions and project this out into the future— this is known as the baseline and/or Business as Usual Scenario.
4. **Targets.** SRAPs set out targets for tackling vulnerability and emissions in the sector over spatial and temporal scales. These targets must be measurable and be validated to ensure that the targets are (1) stretching (2) realistic/achievable and (3) consistent with the overall strategy of the CRGE.
5. **Interventions.** The SRAP will spell out the proposed interventions for each sector and quantify the investment needed in the following areas:
  - a) **Mainstreaming.** The SRAP will identify opportunities to mainstream climate change into existing policies and programmes. This involves improving the development programmes of the sector to improve their impact on vulnerability and emissions related outcomes.
  - b) **Enabling.** The SRAP investigate the current sector environment (policies, rules, regulations, information gaps) and suggest interventions and investments that will enable the sector meet its CRGE targets. This may include fiscal and tax incentives (and disincentives), information provision, regulation and other levels. Addressing existing policy, institutional, technological, behavioural and technical skill barriers is critical. Removal of these barriers complements the impact of finance. SRAPs/TRAPs therefore undertake a barrier analysis and draw up solutions for addressing each these barriers at federal and regional levels. Moreover, SRAPs/TRAPs will analyse the trade-offs inherent each approach, particularly

surrounding the drivers of economic growth, social inclusion, emissions mitigation and increasing resilience to shocks. Ideally all policies and interventions would create ‘triple wins’: growth, emissions reduction and contribution to resilient economies and households. However, interventions will often bring about benefits in only one of the three areas — or strong benefits in one but only weak benefits in the others. This type of ‘three-way analysis’ helps to assess where policies or programmes might fit. This in turn helps determine the appropriate policy approach and level of policy-making. It also helps policymakers to recognise that there may be trade-offs between agendas and possible extra costs.

- c) New. The SRAPs will assess the scope and scale of additional investment proposals required, on top of the mainstreaming and policy reforms, for the sector to meet its CRGE targets.

6. **Delivery mechanisms and funding window.** The SRAP will:

- a) Outline details about the proposed delivery mechanism for the interventions, such as federal government policy reforms or programme planning adjustments; and
- b) Detail the type and amount of finance required. The SRAP/TRAP explains how interventions will be delivered. Specifically, it explains how the funds will be spent (on policy reforms, mainstreaming or additional activities) and provides an overview of these activities.

7. **Monitoring & evaluation.** SRAP defines the monitoring and evaluating approach to be taken. The SRAP will clearly set out the M&E framework with expected outputs, outcomes and indicators. It will also establish safeguard measures and tools for assessing value for money and effectiveness. This framework will need to be aligned with the overarching CRGE M&E framework and the requirements of measuring, reporting and verification (MRV) procedures.

8. **Risk management.** The SRAP will identify implementation risks and potential conflicts or trade-offs with CRGE/GTP objectives. This risk assessment will provide a ranking of risks and mitigating actions.

### **Determining Sectoral Boundary**

The scope of a reduction action shall be specified and the specification shall determine the geographical and sectoral boundaries, describe the relevant activities and their respective executing entities, the sources of vulnerability and emissions, and impacts of climate change and greenhouse gases.

The determination of a sectoral boundary shall ensure that:

Leakage is avoided to the extent practicable,

The malfunctioning of adaptation activities are avoided,

Data can be collected within the delimited sectoral boundary,

All executing entities, their respective activities and responsibilities are defined, and

All the activities that fall in a given category are bundled together for management.



Double counting of reduction actions shall be avoided. Towards this end, the sectoral boundary of a proposed reduction action shall not overlap with other actions or, in the event of overlap, the corresponding reduction results shall be subtracted in determining ex-post the relevant baseline target.

### **Estimation of the Business-as-Usual Target**

The business-as-usual target denotes what would happen by 2025 if the drivers of vulnerability to the adverse impacts of climate change and the emissions of greenhouse gases that shaped the base year situation should continue without any reduction actions being taken.

The base year situation denotes the capacity at the start of the action to reduce the cost of countering vulnerability and/or reduce the quantity of emissions in the boundary of the sector. The base year of the first planning period is 2010. Other base years will be determined for the subsequent planning periods.

The business-as-usual drivers may comprise human, technological, financial, and environmental and/or policy barriers that have inhibited or are likely to inhibit the ability of Implementing and Executing Entities to participate in reduction actions.

The **business-as-usual scenario** shall be projected based on as complete as possible historical data of a minimum of five years on the drivers of vulnerability and emissions, as the case may be.

### **Setting Baseline Target for Rewarding Results**

A planned baseline target for rewarding results shall be set at the planned business-as-usual level in the form of an absolute, indexed or technology penetration target.

**A planned baseline target is a reference point against which the actual reduction of vulnerability and/or emissions resulting from supported, rewarded and credited actions which have to be measured, reported and verified.**

A planned baseline target shall be proposed by relating the estimated cost of countering vulnerability and the quantity of emission reduced because of activities included in the sector boundary.

A baseline target for rewarding results shall be determined ex-post for each calendar year or for each of the planning period.

Consistency shall be ensured in the use of data sources and methodological approaches for monitoring and verification of the actual reduction results.

### **Financing Modalities**

In deciding on the provision of financial support pursuant to this Mechanism, The Facility will systematically examine the proposal to identify what barriers the sought financial support aims to remove. Accordingly, if the support is for:

Reducing cost volatility or technology performance risks, then a risk mitigation instrument rather than direct financing might be the appropriate financing modality.

Decreasing costs, increasing revenues, or reducing revenue volatility, then some form of direct financing or payment for verified results might be the appropriate financing instrument.

Generating revenue then funding from the Facility could be provided in the form of concessional loans.

If the proposed action does not generate sufficient revenue because significant resources need to be allocated to overcoming barriers (for example, capacity building, or targeted at consumers with low ability to pay) then the resource of The Facility may be deployed as a grant.

### Annex 10(3): Current Appraisal Criteria - DRAFT

Note that the guidance for SRAP/TRAP development and its appraisal criteria will be completed in 2014. SRAP development is a crucial part of the process that will take considerable time and effort to draft, pilot and adjust over time. Below is a list of general criteria that will be used to evaluate SRAPs.

Category #	Description
1	Compliance with technical standards <sup>62</sup> , with those not complying being sent back to IEs with recommendations for improvement
2	Fit with current strategic priorities, and which should be considered for immediate funding. Proposals that are technically sound but not fully aligned with current strategic priorities and which should therefore be considered for deferred funding
3	<b>Technical validity:</b> (1) contribution of SRAP/TRAP to green growth - framed as a broad objective incorporating a range of growth indicators (jobs, income distribution etc.) as well as emissions; (2) contribution of SRAP/TRAP to reducing vulnerability (and building climate resilience – again framed using a practical set of indicators); (3) the ability of the SRAP/TRAP to promote a range of cross-cutting issues including women and girls and social inclusion. Compliance with these requirements should be verified using a safeguards mechanism and (4) the technical practicality/feasibility of the proposed interventions.
5	<b>Financial validity:</b> (1) sustainability of interventions at the end of requested Facility funding; (2) financial leverage, if any, provided by the investment (with specific metrics); (3) financing modalities requested in terms of a) relevance, b) potential for results based elements within funding requests; (4) availability of funds
4	<b>Implementation validity:</b> (1) the feasibility from a program management and delivery perspective of the proposed activities; (2) the role of non-state actors (private sector and civil society) in the delivery of the proposed activities – when only state actors are proposed this needs to be justified with an explanation as to why this is the best delivery mechanism.
5	<b>Monitoring and evaluation:</b> (1) plans for proposed investments, focused on a) data availability, b) alignment with SRM M&E requirements; and (2) results framework of investments against three headline indicators: a) GHG mitigation or avoidance, b) reduction of vulnerability, c) contribution to economic development.
6	<b>Compliance with social and Environmental safeguards of the Facility/CRGE and social inclusion</b>

<sup>62</sup> Through rigorous application of the policies and procedures described in this Manual, the expectation is that any proposal that is passed for technical evaluation would have the potential to receive funding. Therefore a category for proposal rejection has not been included.

The SRAP process will also include other elements that will be determined during the development of guidance and evaluation criteria. This may include:

Needs assessment (drawing on Green Economy and Climate Resilience analysis at a sector level)

Evidence for proposed action effectiveness in dealing with priority needs

Benefit sharing of finance at different levels

Social inclusion

Environmental impact assessment if required

Social impact assessment if required

Additional management information including project plans, staffing and procurement

**Annex 10(4): Proposal Appraisal Score-sheet**

## Annex 10(5): Policy on Environmental and Social Safeguards

Environmental and social safeguard policies and procedures are designed to prevent and mitigate undue harm to people and their environment in the implementation of CRGE programmes and policies. This is a vital element of success in delivering sustainable development outcomes and achieving the CRGE vision. This policy sets out principles for all CRGE enabling, implementing and executing entities in the identification, preparation, and implementation of SRAPs and programmes. Subsequent guidelines will be designed in consultation with stakeholders and agreed with contributors to the Facility, and will present detailed guidance to all CRGE actors on how to implement and monitor these standards.

From November 1st 2013, the Facility will adopt the World Bank Social and Environmental Safeguards Policies and Procedures. The Bank's environmental and social safeguards policies and procedures are: OP/BP 4.01, *Environmental Assessment*; OP/BP 4.04, *Natural Habitats*; OP 4.09, *Pest Management*; OP/BP 4.10, *Indigenous Peoples*; OP/BP 4.11, *Physical Cultural Resources*; OP/BP 4.12, *Involuntary Resettlement*; OP 4.36, *Forests*; and OP/BP 4.37, *Safety of Dams*.<sup>63</sup>

These are adapted to the Ethiopian context, whilst at all times maintaining the meaning and intention of the safeguards and an equivalent level of robustness. The agreed adjustment is regarding indigenous peoples. In the case of Ethiopia, all people are indigenous, as agreed with the World Bank. However, we may refer to those who are vulnerable and underserved, to whom the content of OP/BP 4.10 Policies and Procedures would apply. This has been agreed with the World Bank and is used in other programmes in Ethiopia. No other adjustments will be made without consultation and formal agreement with contributors to the Facility.

The World Bank Safeguard Policies and Procedures, with the adjustments stated above, will be adhered to during design, implementation and monitoring of Facility finance programmes from November 2013. Further information regarding the World Bank Environmental and Social Safeguards is available from <http://www.worldbank.org/safeguards>. All relevant detail will be incorporated into Technical Guidance for Implementing and Executing Entities and in the CRGE Facility Monitoring and Evaluation Strategy.

In due course, The Facility Secretariat will develop a tailored, detailed and adapted Social and Environmental Management Framework. This will be adjusted to the context of Ethiopia, as with other large programmes implemented already in Ethiopia, but be in line with international guidelines and benchmarks i.e. it will have the same level of robustness and quality. This will be open for detailed input and evaluation, and will be agreed with contributors. Specific activities include:

- Draft provisional SEMF and policies (by end of April 2014)
- Review of Facility SEMF with stakeholders to ensure quality and robustness (by end of May 2014)
- Legal consultation on SEMF (by July 2014)
- Validation and implementation of SEMF (by December 2014)

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<sup>63</sup> <http://www.worldbank.org/safeguards>

A robust, relevant and internationally appropriate safeguards framework will be adopted and implemented by the Facility. By mid-2014 the Social and Environmental Management Framework will be drafted, and by the end of 2014 we hope to have a finalized and legally binding framework adopted by the Facility.

- A. That this policy is under development and will be drafted as soon as possible, consulted upon, agreed and validated in 2014.
- B. Where adjustments or revisions are made to the World Bank Social and Environmental Safeguards for the CRGE Facility and/or Ethiopia, this will be fully documented, explained and communicated to stakeholders. Moreover, all efforts will be made to ensure that the meaning, quality and robustness of the safeguards are maintained during the adjustment(s). Any revision or adjustment will be documented and communicated to relevant stakeholders, and agreed with contributors to the Facility.



## **Memorandum of Understanding between the Ethiopian Climate Resilient Green Economy Facility (CRGE-F) and the Implementing Entities**

WHEREAS, the Government has designated the Ministry of Finance and Economic Development(MOFED) to coordinate the development and implementation of the Ethiopian Climate Resilient Green Economy Facility (hereafter the “Facility”) on behalf of the Government.

WHEREAS, MOFED assumes full financial and programmatic accountability for the funds disbursed by the Facility to Implementing Entity (Hereafter “IE”) from the CRGE Facility National Account;

WHEREAS, the CRGE Facility will release funds for both the Program and Responsive Windows supported initiatives directly to the IE’s authorized account or through a mutually agreed on financially intermediary account;

WHEREAS, the IE can conclude implementation agreement with Executive Entity (hereafter “EE”) that will implement the CRGE initiatives in accordance with the mutually agreed on standard, quality and timeframe;

WHEREAS, the IE can release funds to EE through an appropriate financial intermediary;

WHEREAS, this Memorandum of Understanding governs the relationship between the Facility and the IE;

NOW, THEREFORE, the Facility and the IEs (hereinafter “the participants “) agree as follows:



1. Following the appraisal and prioritization of the SRAPs/ project proposal by the Facility Task Force and allocation of funds from the Facility by the Facility Management Committee, the Facility Will make available a sum not exceeding Birr ----- to support the implementation of the project entitled "-----". The amount will be paid in the following tranches:
  - Tranche one: 30% of the total value
  - Tranche two: 50% of the total value
  - Tranche three: 20% of the total value
2. The first tranche will be disbursed after the signing of this Memorandum of Agreement between the Facility and the beneficiary IE and when the latter provides official bank account information.
3. Subsequent tranches will be released on receipt of quarterly financial and progress reporting for the previous quarter and on evidence of need. The above schedule can be amended at any time, on agreement between the Participants.
4. The IE will submit financial and progress reports as per the Operational Manual, when requesting each subsequent tranche. Disbursement of the tranches will be subject to satisfactory performance of the previous tranche, as evaluated by the Facility in full consultation with the IE, against the mutually agreed on result framework and deliverables in the SRAPs and/or the project proposal, timely disbursement of finance, and taking into account any concerns from the Facility or other partners regarding quality of delivery or maintenance of appropriate standards and safeguards.
5. As per the Facility Operations Manual and the agreed up on SRAP or project proposal, the IE shall prepare and provide to the Facility the following statements and reports:
  - Quarterly financial reports
  - Quarterly narrative progress reports
  - Annual audited financial statements and reports
  - Annual narrative progress reports including environmental and social safeguards policies and procedures implementation and monitoring
  - Final narrative reports, after the completion of the activities in each approved investment plan (or project/initiative under the Responsive Window)
6. The Facility will prepare consolidated narrative progress and financial reports, based on the reports referred above, and will provide those consolidated reports to the Management Committee, and each Contributor to the Facility Account.
7. When requesting payment, the IE should complete the standard fund request form annexed to this MOU and provide official bank account details.
8. The fund will start on ----- and will end on -----.

9. Procurement activities of both goods and services should be conducted in accordance with the public procurement policy and the procurement process set out in the CRGE Facility operational manual.
10. The Facility reserves the right to assess the procurement capacity and capability of the relevant IEs at any time. In the event of concerns regarding procurement capacity arising from the Facility or the IE, both Participants reserve the right to request review and the introduction of additional procurement safeguards.
11. The IE will within 6 months of the end of each financial year provide The Facility with Annual Audited Statements from its Auditor General confirming that support from the Facility has been used for the intended purposes.
12. Unless otherwise accepted by the Participants, the IEs will ensure that all goods and services financed from the Facility will continue to be used for the original purpose, as long as this remains feasible.
13. Whenever required and practicable, the IEs will permit the authorised personnel from the Facility Secretariat to visit projects and/or programs financed from the Facility and/or examine documents and records relating to the support.
14. The Facility and the IEs conduct periodic joint reviews as appropriate, to assess progress. The timing of reviews will where possible be aligned with existing national processes and in a coordinated manner.
15. Except in extreme circumstances, if the Facility is concerned that the provisions of this MOU, or commitments made under this Arrangement may not have been fulfilled by the IE or if any changes are made without mutual consent and in contradiction of this MOU or the Operational Manual, and which could impair significantly the development value of the project /programme, the Facility will discuss with the IE and where appropriate undertake assessment.
16. As per the Operations Manual, the IE will respect and implement the Social and Environmental Safeguards Policies and Procedures.
17. This Arrangement including this MOU can be terminated by three months' written notice by either Party. It is accepted nonetheless that any decision of either Party regarding termination of this Arrangement will first be subject to discussion.
18. Where an IE wishes to carry out its activities through or in collaboration with third parties (the executing entities), the IE will be responsible for discharging all commitments and obligations with such third parties.
19. Any modifications to the scope of the approved programmatic document, including as to its nature, content, sequencing or the duration thereof will be subject to mutual agreement in writing between the Facility and the IE.

20. The Facility recognizes that it is important to take all necessary precautions to avoid inappropriate practices. In the event that The Facility determines that an allegation in relation to the implementation of activities by the IE – including corrupt, fraudulent, collusive or coercive practices that may have taken place - is credible enough to warrant an investigation, it will promptly notify the Management Committee and the appropriate regulatory and control bodies, to the extent that such notification does not jeopardize the conduct of the investigation. The allegation will be dealt with by the appropriate entity of the Government in charge of such investigations. Upon completion of the investigation, The Facility will inform the Management Committee about the results of the investigation which will handle in accordance with the National Regulatory Framework.
21. This MOU will come into effect upon signature by authorized representatives of the Parties and will continue in full force and effect until it is terminated.
22. This MOU may be modified only by written agreement between the Parties.
23. Commitments assumed by the Parties under this MOU will survive the expiration or termination of this MOU to the extent necessary to permit the orderly conclusion of the activities and the completion of final reports, the settlement of accounts between the Parties hereto and the settlement of contractual liabilities that are required in respect of any subcontractors, consultants or suppliers.

**For The Facility:**

Name:

Position:

Address/Contact Details:

Date:

**For the IE:**

Name:

Position:

Address/Contact Details:

Date:

**Annex 11(4): Standard MOU for Executing Entities**

Annex 12(1): M&E of the Performance of the CRGE Facility - DRAFT

Aspect of CRGE Facility Operations	Type of Measure	Metric
<b>Mobilising funds</b>	Financial	Total funds Volume of funds compared to targets Type of funds
<b>Fiduciary assurance</b>	Opinion	Financial partner satisfaction
<b>Financial analysis/reporting</b>	Quality of information	Accuracy of reports Clarity of analysis/scenarios Timeliness of reports
<b>CRGE stakeholder facilitation</b>	Opinion	MC satisfaction Technical team satisfaction IE satisfaction EE satisfaction
<b>Supervision of Approved Actions</b>	Quality of information	Initiation of DOAs Execution of MC instructions
<b>Results reporting</b>	Quality of information	Completeness of progress reports Timeliness of reports Accuracy of reports

**Annex 12(2): M&E Categories for Individual Approved Actions**

Annex 12(3): CRGE Results Matrix

Window/ Sector	Financial Indicators				Environmental Indicators				Social Indicators				Economic Indicators				Capacity Development				
	Allocation	Leveraging	Type	Delivery rate	GHG	Forest protection & Reforestation	Soil fertility	Water efficiency	Green jobs	Access to energy & water	Household income	Empowerment	Women	Govt spent on rural imports	Export of low carbon goods and services	Low carbon transport infrastructure	Food security	Policy change	Institutional innovation	Skills development	Cross sectoral Initiatives
Strategic Allocations																					
Energy																					
Agriculture																					
Forestry																					
Transport																					
Settlement																					
Education																					
Health & Social																					
Targeted Allocations																					
Energy																					

Window/ Sector	Financial Indicators				Environmental Indicators				Social Indicators				Economic Indicators				Capacity Development				
	Allocation	Leveraging	Type	Delivery rate	GHG	Forest protection & Reforestation	Soil fertility	Water efficiency	Green jobs	Access to energy & water	Household income	Empowerment	Women	GDP spent on total imports	Export of low carbon goods and services	Low carbon transport infrastructure	Food security	Policy change	Institutional innovation	Skills development	Cross sectoral Initiatives
Agriculture																					
Forestry																					
Transport																					
Settlement																					
Education																					
Health & Social																					