

MEMORANDUM OF UNDERSTANDING

between

NORDIC DEVELOPMENT FUND

and

ASIAN DEVELOPMENT BANK

For the Cofinancing of Programs and Projects

January 2011

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MEMORANDUM OF UNDERSTANDING (MoU)

dated as of 3 May 1995, amended and restated as of _____ 2011, between the NORDIC DEVELOPMENT FUND (hereinafter called "NDF") and ASIAN DEVELOPMENT BANK (hereinafter called "ADB").

WHEREAS the Nordic Council of Ministers, on 19 May 1988, decided to establish NDF for the purpose of providing financing on concessional terms to developing countries thereby contributing to the social and economic development of these countries;

WHEREAS the Nordic Council of Ministers, on 5 May 2009, decided to include financing in the form of grants into the operational modalities of NDF, such grants to be provided primarily for the mitigation of and adaptation to climate change;

WHEREAS NDF complements the activities of (a) the Nordic Investment Bank (NIB) which provides financing on normal banking terms for investment projects of Nordic interest both within and outside Nordic countries, and (b) Nordic Environment Finance Corporation (NEFCO), which finances investments and projects to generate positive environmental effects of interest to the Nordic region;

WHEREAS the financing to be provided by NDF is intended to be offered in cofinancing with other multilateral financial institutions;

WHEREAS NDF and ADB (hereinafter called "The Parties") have cooperated in the cofinancing of development projects and programs of mutual interest in developing member countries of ADB pursuant to a Memorandum of Understanding dated 3 May 1995;

WHEREAS NDF and ADB wish to cooperate in promoting additional cofinancing opportunities on the terms and conditions hereinafter set forth or otherwise agreed between NDF and ADB;

NOW THEREFORE the Parties hereto have agreed to amend and restate the Memorandum of Understanding dated 3 May 1995 to read as follows:

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ARTICLE 1

Forms, Methods and Modalities of Cofinancing

1. The financing to be provided by NDF will be made available in a form permitted by the Statutes of NDF, i.e. interest free loans, subordinated loans, equity capital and grants. Unless otherwise notified by NDF, new financing will be made available to the recipients (hereinafter called "the Recipient") in the form of grants.
2. The financing to be provided by NDF is intended to contribute to the financing of development projects and programs (hereinafter called "the Project") of common interest to the Parties.
3. Cofinancing by NDF can be provided through the following cofinancing modalities:

(i) Contractual Cofinancing

Contractual cofinancing is given where ADB shall administer NDF funds provided for the financing of a Project in exchange for a nominal fee to be paid by NDF. In such cases, cofinancing may be either joint, in which the Parties finance a common list of goods, works and services in agreed upon proportions, or parallel in which the Parties finance specific identifiable Project components separately. The Parties shall sign a cofinancing agreement, the form of which depends on the extent to which ADB administers NDF funds.

(ii) Collaborative Cofinancing

Collaborative cofinancing is given in cases where the Parties shall separately administer their funds provided for the financing of a Project, but want to coordinate Project processing and implementation through an administrative memorandum of understanding on operational cooperation to be signed during project processing. In such cases, only parallel cofinancing, in which the Parties finance separate Project components shall be possible. The Parties conclude the agreements relating to the financing of their respective Project components directly

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with the Recipient, and normally pay directly to the suppliers to their respective Project component.

ARTICLE II

Project and Program Selection

4. Each Project to be financed by NDF pursuant to this MoU will be selected by NDF, in consultation with ADB and the intended Recipient, from a list of Projects prepared and updated by ADB periodically and transmitted to NDF for such purpose. In addition, individual Projects may be proposed by ADB for NDF cofinancing, if required and when justified. ADB will furnish NDF with a proposal on each Project together with the necessary supporting documentation and clarifications as requested by NDF.

5. Consultative meetings will be held by ADB and NDF as necessary for the purpose of reviewing the list of Projects. Following each such review, NDF shall inform ADB of the Projects that it is interested in cofinancing, and the amount of funds NDF intends to make available for the respective Projects. If a Project has been selected by NDF, the decision to include NDF's cofinancing proposal in the financing plan for a Project will be made by the Recipient in consultation with ADB.

ARTICLE III

Administration of Cofinancing

6. The administration of the NDF funds will follow the respective NDF and ADB Policies and Guidelines, as applicable to each cofinancing modality defined in Paragraph 3, and specified in detail in each respective cofinancing agreement or memorandum of understanding on operational cooperation, or other agreements, if any.

(i) For contractual cofinancing, unless otherwise agreed and with the exception of ADB executed technical assistance projects for which ADB will be responsible for the Project execution, the Recipient will be responsible for the execution of each Project, including the bid

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evaluation, award, and administration of contracts thereunder, under the supervision of ADB. ADB's *Procurement Guidelines*, dated April 2010, *Guidelines on the Use of Consultants by ADB and Its Borrowers*, dated April 2010, *Safeguard Policy Statement*, dated June 2009, *Anticorruption Policy*, dated July 1998, and *Integrity Principles and Guidelines* dated May 2010, each as amended from time to time, will apply. Disbursements of NDF funds will follow ADB's *Loan Disbursement Handbook*, dated June 2007, or ADB's *Technical Assistance Disbursement Handbook*, dated May 2010, each as amended from time to time. ADB can administer NDF funds as follows:

(a) Full Administration

Under full administration, NDF will disburse their funds to ADB as specified in the cofinancing agreement for the Project. ADB will conclude a financing agreement with the Recipient and will pay the suppliers to the Project. Full administration is only applicable to grants.

(b) Partial Administration

Under partial administration, ADB will provide NDF with procurement and disbursement administration, and/or other services related to the Project, as agreed. NDF will conclude a separate financing agreement with the Recipient and will normally pay directly to the suppliers to the Project.

(ii) For collaborative cofinancing, unless otherwise agreed, the Recipient will be responsible for the execution of the Project, including the bid evaluation, award and administration of contracts thereunder, under the supervision of the Parties for their respective Project components. NDF's guidelines will normally apply to the procurement of goods, works and services and to the disbursement of NDF funds to the suppliers to be financed by NDF.

7. For collaborative cofinancing, NDF will cooperate with ADB to ascertain that the procedures to be used will fulfill the Recipient's obligations to cause the

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Project to be carried out diligently and expeditiously, and that the goods, works and services to be procured

- (i) are of satisfactory quality and are compatible with the rest of the Project;
- (ii) will be delivered or completed in a timely fashion; and
- (iii) are reasonably priced so as to support the economic and financial viability of the Project.

In the case of consultant services, NDF will afford ADB a timely opportunity to satisfy itself that the experience and capability of the consultants and the terms and conditions of employment, including the terms of reference, are appropriate to the assignment.

8. The detailed responsibilities, practices and procedures of NDF, ADB and the Recipient with regard to Project implementation, supervision, reporting, financial control and audit will be defined in the cofinancing agreement, memorandum of understanding on operational cooperation, or other agreements, if any.

ARTICLE IV

Cooperation and Consultation

9. ADB will identify, prepare and appraise the Projects to be cofinanced with NDF in accordance with ADB's normal policies and procedures.

10. The Parties will keep each other informed of the progress of the Projects cofinanced by them and will, at the request of either Party, exchange views through their representatives with regard to the Projects and any other matters relating to their respective financing thereof. To that end, ADB will, subject to the consent of the Recipient, provide NDF with an opportunity to participate in appraisal and review missions relating to such Project and will inform NDF of the findings of such missions.

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11. The Parties will promptly inform each other of any significant modification of their financing agreements and of any contractual remedy that is applied in respect thereof. To the extent practicable, each Party will afford the other Party a reasonable opportunity to exchange views before effecting any such modification or exercising any such contractual remedy.

12. Subject to the agreement of the Recipient, the financing agreements of NDF and ADB concluded in connection with the Projects to be cofinanced pursuant to this agreement may include cross-effectiveness provisions, as appropriate.

ARTICLE V

Entry Into Force and Effect, Termination and Dispute Resolution Mechanism

13. This MoU shall enter into force and effect upon its signature by both Parties. It may be modified from time to time by further agreement in writing between the Parties.

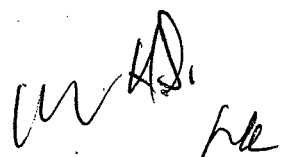
14. The arrangements described herein will continue unless terminated by any Party upon six (6) months' prior written notice to that effect to the other Party; provided, however, that unless otherwise mutually agreed, such termination shall not affect any cofinancing agreements and memorandum of understanding on operational cooperation to the Projects for which legal agreements with the relevant Recipients have been signed prior to the notice of termination.

15. The Parties agree to resolve any dispute, disagreement or claim arising from this MoU through constructive engagement and negotiation.

ARTICLE VI

Miscellaneous

16. This MoU shall not create any financial obligation between the Parties.

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17. All written communications required or permitted by this MoU will be directed to the following addresses:

For NDF:
Nordic Development Fund
P.O.Box 185
FI-00171 Helsinki
Finland

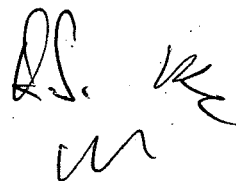
Telefax: +358 9 622 1491

For ADB:
ASIAN DEVELOPMENT BANK
6 ADB Avenue
Mandaluyong City
1550 Manila
Philippines

Att. Head, Office of Cofinancing Operations

Telefax: +63-2-636 2456 (Direct)
+63-2-636 4444 (Central)

18. The arrangements provided for herein may be modified upon the mutual written agreement of the Parties hereto.

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19. The Parties, acting through their duly authorized representatives have signed this MoU in duplicate as follows:

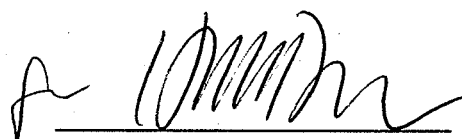
Signed:

Date:

19 January 2010

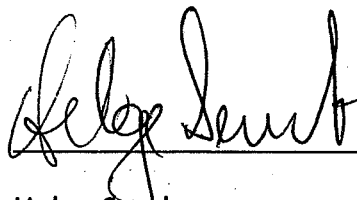
Date: 19 January 2011

FOR: ASIAN DEVELOPMENT BANK



Tadashi Kondo
Head, Office of Cofinancing Operations

FOR: NORDIC DEVELOPMENT FUND



Helge Semb
Managing Director



Leena Klossner
Deputy Director

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