EEP Africa

Nordic Development Fund

The Energy and Environment Partnership Trust Fund

PROJECT IMPLEMENTATION MANUAL

Austrian Development Agency

Ministry for Foreign Affairs of Finland

Nordic Development Fund

Government of Iceland
Ministry for Foreign Affairs

Schweizerische Eidgenossenschaft
Confédération suisse
Confederazione Svizzera
Confederaziun svizra

Swiss Agency for Development and Cooperation SDC

MINISTRY OF FOREIGN AFFAIRS OF DENMARK

April 2023

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1. INTRODUCTION

The Energy and Environment Partnership Trust Fund (EEP Africa) is a clean energy financing facility hosted and managed by the Nordic Development Fund (NDF) with funding from Austria, Denmark, Finland, Iceland, NDF and Switzerland.

EEP Africa provides early-stage grants and repayable grants to innovative clean energy projects, technologies and business models in 15 countries across Southern and Eastern Africa. Project financing is supplemented by technical support, investment facilitation and knowledge sharing.

EEP Africa is headed by a fund management unit at NDF. Thematic expertise and regional presence are provided by the implementation support partners, SNV and Open Capital, who work in close collaboration with NDF across all EEP Africa activities. Each grantee will be assigned a Portfolio Manager (PM) in the EEP Africa team who will act as their primary contact person for any enquiries or reporting duties.

This Project Implementation Manual (PIM or Manual) presents the requirements, instructions and guidance to the grantee on the implementation and reporting of an EEP Africa funded project. The Manual is an integral part of the project funding agreement (Contract) between NDF and the grantee and is annexed to the Contract by reference. If any part of this Manual conflicts with the Contract, the Contract shall prevail.

NDF has the right to update and modify the Manual as needed. It is the grantee's responsibility to make sure that the latest version of the Manual is being followed. The grantee will be informed of changes to the Manual by EEP Africa and the latest version of the Manual will always be available on the EEP Africa website (https://eepafrica.org/resources/project-guidelines/).

2. GRANTEE RESPONSIBILITIES

The grantee is responsible for implementing the project as agreed in the Contract and its annexes. Any substantive changes in the project scope, activities or use of funding should be immediately reported to EEP Africa before they can be implemented. Failing to do so risks making the associated costs ineligible for disbursement.

The grantee is responsible for meeting all narrative and financial reporting requirements. The grantee must provide milestone reports to EEP Africa according to the Reporting and Payment Schedule (RPS) (Annex I to the Contract). The reporting interval must not be longer than six months.

The grantee is responsible for including sufficient information on project implementation and expenditures in the reports to ensure that a transparent and clear view of the project status is communicated. Any delays or difficulties should be flagged as soon as possible. If any of the reporting requirements are unclear, the grantee should contact EEP Africa for advice and guidance.

The grantee will appoint a main contact person with primary responsibility for communication and timely reporting to EEP Africa. The grantee is expected to communicate actively, transparently and respectfully towards EEP Africa focal points. Furthermore, the grantee is expected to support and facilitate EEP Africa during site visits and audit processes commissioned by EEP Africa.

The grantee must submit all reports and queries directly to EEP Africa via the EEP Africa Portal. No EEP Africa or project related questions should be addressed directly to NDF or other stakeholders if not specifically requested by the EEP Africa staff.

3. MILESTONE REPORTING

Milestone reports must be submitted to EEP Africa according to the RPS. A complete report includes a Progress Report, a Financial Report and relevant supporting documents. The reporting must follow the guidelines and requirements below and be submitted using EEP Africa reporting templates available via the EEP Africa Portal.

EEP Africa will regard all information related to the project as confidential if not otherwise communicated and agreed. Only EEP Africa, its staff and consultants, and representatives of NDF will have access to the information without prior approval from the grantee.

3.1. Templates

All reporting templates can be found on the EEP Africa website and portal. A separate template can be found for the narrative Progress Report and for the Financial Report. The templates cannot be altered and have to be completed in the given format. All reports must include a submission date.

3.2. Progress Report

The reporting is milestone based and must include at least the following:

a) A narrative summary of the cumulative progress of the project;
b) A list of achieved outputs as compared to expected outputs as outlined in Annex III to the Contract;
c) A detailed description of progress towards achieving the milestone deliverables set out in the RPS (Annex I). The description should comment on the progress/ achievement of all activities mentioned in the RPS and how they have contributed to the Expected Outputs of the project;
d) For RPS activities that have been completed, the report must include information regarding their implementation with relevant supporting documentation. Studies and evaluations that are stated as milestone deliverables must be attached to the report as supporting documents;
e) For RPS activities that have NOT been completed, the report must include an explanation as to why the activities have not been completed and a new schedule clarifying when they will be completed;
f) A status update of the risks impacting the successful and timely implementation of the project and risk mitigation measures implemented, if any;
g) A description of lessons learnt during the project period;
h) At least five photos that can be freely used by EEP Africa, NDF or the donors involved in EEP Africa without further approvals.

3.3. Financial Report

The Financial Report must be based on actual expenditure and must cover the expenditure for the reporting period. If any activities mentioned in the RPS were not completed, the expenditure report should generally be lower than originally budgeted.

The Financial Report must include all required supporting documents and all documents must be submitted simultaneously. The grantee ensures that the report and the supporting documents are in a clear form and appropriately recorded allowing verification by EEP Africa without difficulties.

a) All project expenditures must be reported on the correct budget lines;
b) All project expenditures must be reported regardless of whether they are funded by the grantee, third party or EEP Africa;
c) The Financial Report must allow a clear audit trail from the reported figures to individual costs and invoices;
d) All reported expenditures, regardless of whether they are funded by the grantee, third party or EEP Africa, must have proper supporting documentation;
e) All documentation must include sufficient voucher numbers, e.g. sales slips, invoices, receipts, tickets, payslips, payroll listings, timesheets, deposit slips, and cancelled cheques to ensure the audit trail;
f) For salary expenditures the payment must be additionally supported by an employee advice of receipt or an extract from the grantee's bank account clearly showing the amount and recipient;
g) In case a service has been provided by a third party that is not able to provide an official receipt, the provider must sign a receipt indicating the amount of the service and enclose a copy of her/his identity documentation/card;
h) The exchange rate should be calculated using the conversion rate on the reporting day or other agreed rate. EEP Africa will check the exchange rate against confirmed foreign exchange data (InforEURO) and deviations of larger than 2% will not be approved;
i) All reported expenditures need to follow the approved project budget. Deviations of no more than 10% or € 10,000, whichever is less, per total budget category (meaning both EEP Africa and co-financing) are acceptable if properly explained. Co-financing shares need to be retained as originally agreed and the total EEP Africa budget cannot be exceeded. If a budget category is exceeded by more than 10% or € 10,000, whichever is less, and no prior approval to the change has been approved in advance by EEP Africa, the expenses might not be approved as eligible expenditures;
j) Brief narrative description of how the incurred project costs relate to the implemented project activities;
k) The total eligible expenses that can be reimbursed/funded by EEP Africa cannot exceed the total amount stated in the contract;
l) All supporting documents should be available for all expenditures upon request from EEP Africa at any point during project implementation.

3.4. Possible Changes

If the grantee wants to make any administrative, technical or financial changes to the project plan, the proposed changes need to be discussed with and approved by EEP Africa in advance. If there are changes in the implementation that affect the reporting timetable, a request to amend the RPS must be sent to EEP Africa for approval.

All changes in the project plan, budget, RPS or other annexes are only approved after careful consideration. Approval of proposed changes should not be assumed before a final decision has been communicated by EEP Africa.

3.5. Extension Requests

If there is any indication that the project cannot be completed within the Contract period, the grantee should inform EEP Africa without any delay. Well justified and timely extension requests are more likely to lead to a favourable outcome.

Any extension is only approved after careful consideration. Approval of requested extensions should not be assumed before a final decision has been communicated to the grantee by EEP Africa.

3.6. Project Completion

The project Completion Report must include the last Financial Progress Report. The project Completion Report will be reviewed by EEP Africa and trigger commissioning of the final audit. The audit process must be pre-approved by EEP Africa follow the ToR presented in Annex 2.

The Completion Report must be submitted using the template provided by EEP Africa. The Completion Report requires a detailed assessment of the entire project. The report should compare the project plan with actual achievements, including space for deviations, comments and observations. Analysis of challenges encountered, lessons learnt and success factors should be extensively explained. The report should highlight conclusions with regards to future perspectives on the possibility of project replication and/or scale-up, follow-on financing status and needs and sustainability. The Completion Report should clearly present the results of the project and must explicitly state the outputs achieved as compared to expected outputs with appropriate supporting documents.

The full Completion Report must be shared with EEP Africa within one month of the contract end date. The Completion Report should be approved within two months after the contract end date. If the grantee is unable to provide sufficient documentation to conclude the reporting process in a timely manner, NDF has no obligation to make the final disbursement of funds.

4. MONITORING, SITE VISITS AND RIGHT TO AUDIT

The grantee shall permit and assist EEP Africa, NDF and other stakeholders or designated third parties to carry out monitoring, site visits, inspections and audits to the project. During the visits the grantee shall provide access to all relevant project material including project accounts and assist EEP Africa, NDF and their representatives in the verification of the project results and project costs. EEP Africa, NDF and their representatives have the right to perform monitoring or site visits, inspections and audits also after the Contract period and completion of the project. The same applies even if the Contract has been terminated.

5. DISBURSEMENT OF FUNDS

Disbursements are made only against signed disbursement request submitted by the grantee to EEP Africa according to a provided template. The disbursement request shall be prepared by the grantee, signed by the authorised person and sent to EEP Africa. Prior to the first disbursement EEP Africa must receive a verification of certified signatories from the grantee, as well as an account holder confirmation from the recipient bank.

The first disbursement cannot exceed 25% of the EEP Africa financing. Disbursements are made only after all required reports and requests have been verified and approved by EEP Africa. The final disbursement to the grantee is subject to approval of the project Completion Report and all its relevant supporting documents. At least 15 % of the grant is reserved for the final disbursement.

If a disbursement request includes a request for an advance payment, a justification for the advance must be clearly stated and available co-financing must be verified. Advance payment cannot be greater than 25% of the total grant awarded and cannot include the last 15% of the grant. All advance requests will undergo a context specific risk analysis by EEP Africa before being approved for disbursement.

When the requested funds have been received, the grantee must confirm receipt to EEP Africa by sending a bank statement or similar document that confirms the amount received.

6. REPAYABLE GRANT

Repayable grants bring additional dimensions to EEP Africa's financing toolkit. They are defined according to the following principles:

1. Any proportion of the EEP Africa grant exceeding EUR 500,000 will automatically be considered as a repayable grant.[1]
2. Any feasibility studies for on-grid and/or utility scale development are considered repayable pending financial close (regardless of financing level requested).
3. Regardless of financing level requested, the whole grant can be considered repayable in cases detailed below. Both situations are more relevant for expansion stage projects where frequent grant funding may raise concerns over additionality of EEP Africa financing.
    a. the grantee wants to demonstrate more "skin in the game" as part of their application process and thus chooses to apply for a repayable grant, or
    b. the EEP Africa Investment Committee approves an application for funding on a condition of the grant being repayable.

Repayment of the repayable portion of the grant will be linked to the achievement of pre-agreed repayment triggers. Terms and conditions for these will be defined in the Contract. Repayment may be undertaken in instalments or, in the case of a clear financial close, in one instalment. Repayments are usually expected within 5 years from project closure.

In the event that the grantee is not able to repay the repayable grant within the agreed timeframe, a request to reschedule the repayment should be submitted without delay to EEP Africa.

7. PROCUREMENT

The grantee is required to perform all procurements funded by EEP Africa in accordance with generally accepted good procurement practices. As a general rule, the grantee should aim to achieve the best possible economy, efficiency and quality. Consultants, suppliers and vendors of any nationality shall be eligible for contracting and no eligibility restrictions shall apply. In all procurement specific care should be taken to avoid any conflicts of interest.

The following procurement guidelines must be followed:

- Costs below € 3,000: Procedures to be decided by the grantee. The price must be reasonable from a market perspective.
- Costs between € 3,000-60,000: Comparison of at least three quotes/offers to be obtained from suppliers. The request for bids, specifications, offers, justifications, bid evaluation report and other procurement-related documentation must be annexed to the Financial Report as supporting documents.
- Costs above € 60,000: Competitive open tendering with invitations to tender announced publicly. The procurement procedure must be separately agreed upon with EEP Africa before- hand. The full tender dossier, invitations and adverts, offers, justifications, bid evaluation report and other procurement-related documentation must be annexed to the Financial Report as supporting documents.
- Direct awarding above € 3,000 can only be used if separately agreed upon with EEP Africa beforehand. Potentially valid reasons for using direct awarding might be:
    - the costs of tendering exceed the benefits;
    - the contract is urgent for reasons independent of the grantee;
    - only one potential supplier has been identified;

[1] For example, of EUR 750,000 grant request, EUR 250,000 would be automatically treated as repayable.

- the grantee's business model is built around a specific product.

Any evaluation of bids or proposals shall be performed by an evaluation committee of at least three qualified people. All members of the evaluation committee shall ensure that there is no conflict of interest resulting from their participation in the evaluation committee. All evaluation committee members shall sign the bid evaluation report.

Dividing contracts into smaller parts in order to keep the contract value below a certain threshold is forbidden.

The grantee may use stricter procurement procedures than those detailed above.

8. PROJECT FINANCIAL AUDIT

All projects funded by EEP Africa must undergo a financial audit at the end of the project. The objective of the audit is to ensure appropriate use of funds and accurate financial reporting.

The audit must be performed by a legally authorised and certified audit firm appointed by the grantee. The grantee must provide documentation to EEP Africa on the authorisation and certification of the audit firm and obtain EEP Africa's approval for using the selected auditor prior to engaging the audit process. EEP Africa, at its discretion, may appoint an auditor to undertake the Project financial audit.

The project audit should take place after all project expenses, except the auditing fee, have been paid. The audit should cover the project accounts of the entire project, including co- financing. The auditors have the right to access all financial and other relevant documentation linked to the project. The grantee should ensure that the costs of the project audit are included in the approved project budget. The project audit report needs to be provided and approved as deliverable of the final milestone reporting in the end of project before the final disbursement of funds can be made.

The audit shall be carried out in accordance with international audit standards issued by International Organization Federation of Accountants (IFAC) and by an external, independent and qualified auditor (Certified Public Accountant/Authorized Public Accountant). The auditor is expected to issue an audit opinion according to ISA 800/805 on whether the project financial reporting is in accordance with grantee's accounting records and the EEP Africa Financing Contract.

The scope of the audit should be agreed in advance with EEP Africa and shall be aligned with the Draft Terms of Reference for Project Audit (TOR) included in Annex 2. NDF and EEP Africa reserve the right to revise the draft audit TOR. A Draft Independent Auditor's Report is available in Annex 3.

Upon completion of the audit, the audit report and management letter should be sent to EEP Africa.

In-line with the EEP Africa Financing contract the grantee needs to keep appropriate project accounting and, where relevant, ensure that project accounting is kept by other project partners in accordance with generally accepted accounting principles and allow them to be audited by auditors acceptable to NDF.

9. ELIGIBLE PROJECT EXPENDITURE

All expenditures must be necessary for the project, reasonable and according to the approved project budget. All reported expenditures are subject to discretion and their eligibility evaluated in relation to the project plan. Expenditures will only be considered eligible, if the expenditure has been paid before the Contract end date and proper procurement procedures have been followed.

9.1. Eligible Project Expenses

a) Human resource expenses according to the actual costs;
b) Products and services purchased from external service providers;
c) Reasonable travel and accommodation expenses for project personnel, and daily allowances. The per diem rates must be based on the grantee's respective government approved rates. It should be made clear in the project budget if the selected per diem rate covers both accommodation and daily allowance, or solely daily allowance.
d) Expenses for fixed assets, goods, logistics and transportation necessary for project implementation (machinery, equipment, etc.);
e) Rental or leasing of premises, machinery and equipment necessary for project implementation (including motor vehicles) if they result solely from the project;
f) General costs (indirect costs), e.g. costs resulting from the use of telephone calls, electricity or water, as well as accounting costs, rental and cleaning costs, office costs, when these can be shown to have occurred solely from the project (the allocation of indirect costs must be clearly demonstrated); and
g) Project audit expenses.

9.2. Eligible In-Kind Expenses

In-kind co-financing for development phase projects is allowed up to 20%, while cash contribution is minimum 10% of the total project costs. Eligible expenses for in-kind contribution can be incurred within maximum of two years before the contract start. [2]

Eligible in-kind contributions can include:

- *Goods and Equipment* - tangible items such as equipment, materials, or supplies that have been acquired by the project. The value of these items can be measured by their fair market value or estimated cost.
- *Services* - professional services such as legal, accounting, or consulting services that have been provided to the project. The value of these services can be measured by their hourly rate or estimated cost.
- *Employee time* - time allocated by the employees to the project as volunteers. The value of this contribution can be measured by the hourly rate aligned to the employees' salaries.
- *Expertise and knowledge* - contribution of specialized knowledge or expertise to the project, such as research, data analysis, or technical support by individuals who are not staff to the organisation. The value of this contribution can be measured by the hourly rate or estimated cost of hiring someone with this expertise.
- *Land and facilities* - use of a facility or space for the project, such as an office space, or acquisition of land for project site(s). The value of this contribution can be measured by the rental or construction cost or estimated market value of the space.
- *Software and technology* – subscription or development costs of software or technology that are relevant to the project.

[2] In-kind expenses were approved as eligible co-financing by the EEP Africa Supervisory Board decision in 29 November 2022. Thus, any (development phase) projects contracted after that date can claim in-kind contributions subject to the EEP Africa approval. Projects contracted prior to November 2022 are not eligible for in-kind contributions.

In-kind contribution must demonstrate the following characteristics:

- *Quantifiability:* It should be quantifiable and measurable.
- *Verifiability:* The contributions should be verifiable through documentation or other evidence.
- *Relevance:* It must be directly relevant to the goals and objectives of the project.
- *Specificity:* It should be specific to the project and clearly identified.
- *Feasibility:* The contribution should be feasible and realistic.
- *Timeliness:* It must be provided in a timely manner to ensure the success of the project.

EEP Africa will ensure all in-kind contributions are carefully evaluated, assessed, and documented before they can be considered as co-financing. EEP Africa reserves the right to review and approve proposed in-kind contributions.

9.3. Ineligible Expenses

a) Any expenses that are not based on the approved project budget and plan or have not been approved in advance by EEP Africa;
b) Merit pay, bonuses, fringe benefits and similar supplements to wages that are paid in addition to regular wage;
c) General staff training;
d) Project preparation or other expenses incurred before the Contract was signed, unless applicable as in-kind contributions;
e) Expenses related to the preparation of the EEP Africa project application;
f) Project or other expenses, except those for the project audit, that are paid after the completion date of the Contract;
g) Depreciation of equipment, machinery and vehicles;
h) Overhead as a share of total costs;
i) Fines, penalty fees and legal expenses, except legal expenses that are related to the project and that have been approved in the budget;
j) Financing expenses: interest on loans, fees related to financing transactions, currency exchange fees and exchange rate losses;
k) Value-added tax (VAT) that may be deducted or refunded, or compensated for in another way; and
l) Expenses for equipment, installations and maintenance that do not comply with professionally acceptable standards in the country of implementation or with those presented in the project document.

10. ANTI-CORRUPTION AND INTEGRITY

NDF requires all of its contractual parties to observe the highest ethical standards. All projects financed must adhere to NDF's Policy on Anticorruption and Integrity.[3] Reporting of concerns or evidence of corruption, fraud, coercion, collusion or obstructive practice can be done through the EEP Africa website or by contacting NDF directly.[4]

Any information provided will be treated as confidential. Reports may be made anonymously. However, as anonymous reports are difficult to investigate, anyone making an allegation is encouraged to provide some means that will allow further communication.

[3] https://www.ndf.int/media/files/institutional-policies-and-guidelines/anticorruption_guidelines_2012.pdf
[4] https://www.ndf.int/report-misconduct-and-corruption.html

11. COMPLIANCE REQUIREMENTS

Projects must comply with NDF's Environmental and Social Policy and Guidelines to be eligible.[5] Any project activities excluded under the policy will NOT be approved for EEP Africa funding. A full list of these exclusions can be found in Annex 1.

A major aspect of human rights is the principle of non-discrimination. EEP Africa and NDF do not accept discrimination based on gender, race, nationality, language, ethnic origin, religion, disability, age, sexual orientation or political or other opinion.

All grantees, project partners and consultants must operate in line with the NDF Policy on Anti-corruption and Integrity.[6] Any indication of non-compliance will cause a review of the suspected non-compliance issue and possible termination of the Contract.

The grantee must comply with all applicable permits and licenses relating to environmental and/or social aspects. The project's performance will be benchmarked towards and cannot deviate from international environmental and social standards, policies and guidelines as defined below:

a) All applicable permits and licenses relating to environmental and/or social aspects must be in place. If the permits are not in place, a satisfactory plan for obtaining permits needs to be demonstrated.
b) The project/client must adhere to the International Finance Corporation's (IFC) Environmental, Health and Safety (EHS) guidelines.
c) Pollution prevention and abatement are required according to World Bank Group policies and guidelines (primarily) and must comply with IFC Industry Guidelines when applicable.
d) Biodiversity conservation and sustainable management of living natural resources are to be appropriately addressed in accordance with World Bank Group requirements.
e) Respect for workers' rights and their freedom of association and collective bargaining in accordance with ILO Declaration on Fundamental Principles and Rights at Work.
f) Respect for human rights; discrimination based on gender, race, nationality, language, ethnic origin, religion, disability, age, sexual orientation or political or other opinion is not accepted.
g) Community issues and affected Indigenous Peoples, such as involuntary resettlement, land acquisition, restriction on access, cultural heritage, etc. must be addressed in line with World Bank Group safeguard standards including the use of Free, Prior and Informed Consent (FPIC).

12. OTHER RULES

12.1. Repayment of Unused Funds

Any funds that have been disbursed but have not been fully used by the end of the project, must be repaid in full. Also, any funds that have not been used in accordance with the funding contract and annexes must be repaid in full. The suspension, termination and repayment clauses have been defined in more detail in the funding contract.

[5] https://www.ndf.int/media/publications/ndf-environmental-and-social-policy_final-181021.pdf
[6] https://www.ndf.int/media/files/institutional-policies-and-guidelines/ndf_policy_on_anticorruption_and_integrity_2012.pdf

12.2. Branding and Marking

All project-related printed or electronic materials prepared by the grantee for promotional, informational or other purposes, including information on the grantee's website, must display the EEP Africa logo and include the legend "Project financed by EEP Africa." The logo will be provided to all grantees by EEP Africa. The EEP Africa logo must be displayed in equal size and prominence to other funders of the project.

12.3. Regulation and Guidance from EEP Africa and/or NDF

EEP Africa and/or NDF have the right to provide additional regulation and guidance to the grantee regarding the implementation and financial management of the project, as well as to issue further audit related specifications. The grantee must comply with all such regulations and guidance.

12.4. Taxes and VAT

The grantee shall pay when due, taxes levied on it and payable on, or in connection with, the implementation of the Project. EEP Africa is not able to deduct VAT or secure refunds on any VAT that is paid. The funds disbursed to the grantee are considered to be a grant, not a payment for services provided by the grantee.

The grantee is responsible for following the applicable VAT regulation and shall pay VAT when due in the country or countries where the project or the grantee is located. The grantee must deduct or apply for refunding of VAT for project-related expenses, if allowed. The grantee can only report VAT expenses if it is unable to deduct or apply for refunding of the VAT.

ANNEX 1. EEP AFRICA EXCLUSION LIST

EEP Africa exclusion list defines the types of projects that the Fund will not finance. It is based on NDF's exclusion list and is regularly updated to include activities excluded by any of the EEP Africa donors.

EEP Africa will not knowingly finance, directly or indirectly, projects involving the following:

1. Forced labour, or harmful or exploitative forms of child labour.
2. Activities deemed illegal under host country laws or regulations, or international conventions and agreements or subject to international phase-out bans, such as:
    a. Production of or trade in products containing PCBs;
    b. Production of or trade in pharmaceuticals, pesticides/herbicides and other hazardous substances subject to international phase-outs or bans (Rotterdam Convention, Stockholm Convention);
    c. Production of or trade in ozone-depleting substances subject to international phase-out (Montreal Protocol);
    d. Trade in wildlife or wildlife products regulated under the CITES Convention;
    e. Transboundary movement of waste prohibited under international law (Basel Convention) except for non-hazardous waste destined for recycling;
    f. Activities prohibited by host country legislation or international conventions relating to the protection of biodiversity resources or cultural heritage;
    g. Production or trade in or use of unbonded asbestos fibres or asbestos-containing products;
    h. Shipment of oil or other hazardous substances in tankers which do not comply with IMO requirements.
3. Unsustainable fishing methods, including blast-fishing, drift-net fishing or trawling in the marine environment.
4. Production and distribution of ammunition and weapons, and weapons carriers.
5. Ethically controversial projects:
    a. Sex work and related infrastructure and services;
    b. Gambling and related equipment;
    c. Tobacco (production, processing and distribution).
    d. Alcohol (production, processing and distribution of hard liquor)
6. Production of or trade in radioactive materials. This does not apply to medical equipment, quality control (measurement) equipment and any equipment where the radioactive source is trivial and/or adequately shielded.
7. Investments into search, extraction, production, distribution, processing and promotion of fossil fuels (coal, oil, natural gas and peat).
8. Activities that increase use of fossil fuels and/or prolong the technical or economic lifetime of heat and power production using fossil fuels, except for back-up in power generation plants, for household cooking purposes and for processes where feasible alternatives do not exist.
9. Biofuel projects if they are:
    a. Based on feedstock grown on land with high carbon content or biodiversity value, such as rainforests, wetlands, peat lands and grasslands, in reserves or on protected lands, or on lands with a high conservation value;
    b. Using a feedstock for production of liquid biofuels, where the overall climate and development benefits would be higher by using the same feedstock unprocessed for, e.g., direct combustion in a co-generation plant.

c. Using a feedstock that could be considered as a primary food crop (excluding using the waste streams from such feedstock).
d. Using solid biomass fuels from forests, planted or natural, having a carbon cycle incompatible with the Paris Agreement.
e. First generation biofuel projects with production area over 75ha.

10. Commercial logging operations or the purchase of logging equipment for use in primary tropical moist forests or old-growth forests.
11. Production or trade in wood or other forestry products other than from sustainably managed forests.

ANNEX 2. DRAFT TOR FOR PROJECT FINANCIAL AUDIT

TERMS OF REFERENCE FOR EEP AFRICA PROJECT FINANCIAL AUDIT

1. Background

The Energy and Environment Partnership Trust Fund (EEP Africa) is a clean energy finance facility managed and hosted by the Nordic Development Fund (NDF) and funded by Austria, Denmark, Finland, Iceland, NDF and Switzerland. Thematic expertise and regional presence is provided by the implementation support partners, SNV and Open Capital, who work in close collaboration with NDF across all EEP Africa activities. EEP Africa provides early- stage financing for innovative clean energy projects, technologies and business models in Southern and East Africa. The objective is to enhance clean energy access, development and investment, with a particular focus on benefitting vulnerable and underserved groups.

NDF as the Fund Manager of EEP Africa has signed a Financing Contract (Contract) with the grantee for the financing of a clean energy project. EEP Africa has published Project Implementation Manual that presents the requirements, instructions, and guidance to the grantee on the implementation and reporting of an EEP Africa project. The Manual is an integral part of the Contract between NDF and the grantee and annexed to the Contract by reference. The latest version of the Manual will always be available on the EEP Africa website (www.eepafrica.org) and it is the grantee's responsibility to make sure that the latest version of the Manual is being followed.

A project financial audit must be performed by a legally authorised and certified audit firm appointed by the grantee. The grantee must provide documentation to EEP Africa on the authorization and certification of the audit firm and seek EEP Africa´s approval for using the selected auditor prior to engaging the audit process. The project financial audit should take place after all project expenses, except the auditing fee, have been paid. The auditors have the right to access all financial and other relevant documentation linked to the project.

2. The Objectives of the Audit

The objective of the audit is for the auditor to express a professional opinion according to ISA 800/805 on the Financial Report of the project, the use of the EEP Africa funds and the costs covered by co-financing.

The audit shall be carried out by an external, independent and qualified auditor (Certified Public Accountant/Authorized Public Accountant). The external auditor is expected to carry out audit procedures covering funds disbursed by the grantee for the implementation of the project incurred during the contract period. The audit is expected to provide information regarding arrangements for project accounting, use of funds and project's financial administration.

3. The Scope of the Audit

The audit shall be carried out in accordance with international audit standards issued by International Organization Federation of Accountants (IFAC) and shall include tests of controls, as the auditor considers necessary under the circumstances, such as to ascertain that:

a) the reported expenses in the Financial Report of the project can be reconciled with the project accounting;
b) expenses are supported by appropriate original receipts and invoices as proofs of payment;
c) the audit trail from individual costs and invoices to the general ledger and onward to the project financial reporting could be verified;
d) the expenditure on which reported costs were based had been paid;
e) expenses have been made according to the project budget and any budgetary deviations or reallocations are in line with all current guidelines, approved budget modifications and other instructions issued by EEP Africa;
f) costs examined were appropriately presented on the correct budget lines
g) expenses are eligible based on the EEP Africa Financing Contract and the rules for eligibility outlined in chapter 9 of this Manual;

h) wages and salaries have been based on properly signed contracts, the payments are supported by an employee advice of receipt or an extract from the grantee´s bank account clearly showing the amount and recipient and that social security expenses including pensions and taxes have been recorded and paid to relevant authorities in accordance with the national legislation;
i) procurements made with EEP Africa funding are in line with the EEP Africa guidelines and procedures and are properly supported;
j) expenses reimbursed by or charged to EEP Africa do not include any value-added tax (VAT) that the grantee can, or could be reasonably expected to, reclaim;
k) the exchange rate used for the Financial Report is the conversion rate of the reporting day or other agreed rate
l) expenditures are within a reasonable range of costs benchmarked against rates specified in the project document, market prices and/or other acceptable industry or Government rates for professional fees, mileage compensation and daily subsistence allowances; and
m) the accounting and internal control systems are adequate to monitor expenditures and other financial transactions and to ensure safe custody of Project-financed assets and adequate documentation on all relevant transactions related to the Project.

4. Audit Report and Management letter

The auditor is expected to issue an audit opinion according to ISA 800/805 (the Draft Independent Auditor´s Report included in Annex 2) on whether the project Financial Report of [project code and name of the project] is in accordance with accounting records of [name of the grantee] and the EEP Africa Financing Contract and adheres to the contract period [add date] to [add date].

In addition to the Audit Report, the auditor shall prepare a "Management Letter", in which the auditor shall:

- Provide comments and observations on the accounting records, systems and controls that were examined during the course of the audit;
- Highlight any observations on incurred project costs that have come to the auditor's attention during the audit
- Bring to the attention of NDF if the project Completion Report contains information that is not in line with the Financial Report
- Identify specific deficiencies and areas of weakness in the systems and controls and make recommendations for their improvement, including the role of Local Partner(s) and possible Other Partner(s) as identified in the EEP Africa Financing Contract/Project documents and/or contractors;
- Present matters that have come to the auditor's attention during the audit and which might have a significant impact on the implementation of the Project; and
- Bring to the attention of NDF any other matters that the auditor considers pertinent.

The Audit Report, including the Audit Opinion and Management Letter shall be delivered in English.

5. Mandate

The Auditor is entitled to have access to all the material necessary and discuss any matter relevant to his assignment. The Auditor is authorised to communicate directly with NDF regarding all aspects of the Project.

6. Relevant project documentation for the audit

Including but not limited to the list below - to be provided by the grantee:

- EEP Africa Financing Contract including all annexes
- Project Implementation Manual
- Project progress and financial reports
- Call-for-Proposal application guidelines

ANNEX 3. DRAFT INDEPENDENT AUDITOR'S REPORT

INDEPENDENT AUDITOR'S REPORT

To the Management of the <name of the grantee>

Opinion

We have audited the accompanying project Financial Report of the <project code and name> (the Project) for the contract period from <add date> to <add date>. The project Financial Report has been prepared by management of <name of the grantee>.

In our opinion, the project Financial Report of the <project code and name> for the contract period from <add date> to <add date>, is in accordance with accounting records of <name of the grantee> and is prepared in all material respects, in accordance with the EEP Africa Financing Contract.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Project Financial Report section of our report. We are independent of the <name of the grantee> and the Project in accordance with the ethical requirements that are relevant to our audit of the Project Financial Report, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management for the Project Financial Report

Management is responsible for the preparation of the Project Financial Report in accordance with the EEP Africa Project Implementation Manual and the EEP Africa Financing Contract and for such internal control as management determines is necessary to enable the preparation of Project Financial Report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for the Audit of the Project Financial Report

Our objectives are to obtain reasonable assurance about whether the Project Financial Report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Project Financial Report.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Project Financial Report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the <name of the grantee>´s internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Emphasis of Matter – Basis of Accounting and Restriction on Distribution and Use

Without modifying our opinion, we draw attention to the EEP Africa Project Implementation Manual and the EEP Africa Financing Contract. The Project Financial Report is prepared to report the financial position and performance of the Project in order to fulfil the conditions of the EEP Africa Financing Contract between the Nordic Development Fund and the <name of the grantee>. As a result, the Project Financial Report may not be suitable for another purpose.

Our report is intended solely for the <name of the grantee>, EEP Africa and the Nordic Development Fund and should not be distributed to or used by other parties, unless otherwise stated.

<Place and date>

<Name of the audit firm>

<Name of the responsible auditor>