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# CODESA DEVELOPMENT FUND CHARTER

*MECHANISMS FOR ESTABLISHING A CODESA DEVELOPMENT FUND*

CREATED BY

EUSL AB

*Care to Change the World*

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# CODESA Development Fund Charter

## Preamble and Legal Basis

This Charter establishes the CODESA Development Fund (hereinafter referred to as “the Fund”) as a multi-donor financing mechanism under the authority of the Treaty Establishing the Common Market for Eastern and Southern Africa (COMESA Treaty) and the CODESA Charter. The Fund shall operate as a ring-fenced financial instrument to mobilize and manage contributions from bilateral and multilateral partners, philanthropic institutions, and other eligible contributors, with the objective of financing CODESA’s strategic programs in digitalisation, education, and social development.

The Fund shall be administered by the CODESA Secretariat under the oversight of a Donor Committee, in accordance with the principles of transparency, accountability, and fiduciary integrity. It shall impose zero fiscal burden on COMESA and its Member States, ensuring that all operational and administrative costs are financed from donor contributions or cost-recovery mechanisms approved by the Donor Committee.

The Fund shall adhere to internationally recognized standards and frameworks, including:

- **International Public Sector Accounting Standards (IPSAS)** for financial reporting;
- **INTOSAI ISSAI 100** and **International Standards on Auditing (ISA)** for audit and assurance;
- **African Development Bank Integrated Safeguards System (ISS)** and **World Bank Environmental and Social Framework (ESF)** for environmental and social risk management;
- **Open Contracting Data Standard (OCDS)** for procurement transparency;
- **NIST Cybersecurity Framework 2.0** and **ISO/IEC 27001:2022** for digital security and data protection.

These standards are incorporated by reference and shall guide interpretation and implementation of this Charter.

## Chapter 1 – Definitions and Interpretation

### 1.1 Definitions

For the purposes of this Charter:

- **“Fund”** means the CODESA Development Fund established herein.
- **“Donor Committee”** means the governing body composed of contributing partners responsible for strategic decisions on the Fund.
- **“Secretariat”** means the administrative unit of CODESA responsible for day-to-day management of the Fund.
- **“Eligible Expenditure”** means any expenditure that meets the criteria set forth in Chapter 3 of this Charter.
- **“IPSAS”** means International Public Sector Accounting Standards issued by the IPSAS Board.
- **“OCDS”** means the Open Contracting Data Standard for procurement disclosure.

- **“Safeguards Framework”** refers to the combined application of AfDB ISS and World Bank ESF.
- **“Financing Instruments”** means the modalities through which the Fund provides financial support, as defined in Chapter 5.

## 1.2 Interpretation

Headings are for convenience only and do not affect interpretation. Words in the singular include the plural and vice versa. References to statutes, standards, or frameworks include their amendments and successors. The term “including” shall mean “including without limitation.”

## 1.3 Incorporation by Reference

The COMESA Treaty, CODESA Charter, COMESA Financial Rules, and applicable donor agreements are incorporated by reference to the extent not inconsistent with this Charter.

# Chapter 2 – Purpose and Scope

## 2.1 Purpose

The purpose of the Fund is to provide a predictable, rules-based financing mechanism to support CODESA’s mandate of advancing digitalisation, education, and social development across COMESA Member States, in alignment with regional integration objectives and Agenda for Social Equity 2074.

## 2.2 Scope

The Fund shall finance: (a) Regional digital transformation initiatives, including broadband connectivity, e-government platforms, and cybersecurity frameworks;  
(b) Education and skills development programs, including digital literacy and vocational training;  
(c) Social development and inclusion programs aligned with COMESA priorities;  
(d) Capacity building for Member States, SMEs, and civil society to strengthen institutional readiness for digital and social innovation.

The Fund shall not finance recurrent expenditures, political activities, or any purpose inconsistent with fiduciary, safeguards, and transparency obligations.

# Chapter 3 – Fund Objectives and Eligible Expenditures

## 3.1 Objectives

The objectives of the Fund are to:

- (a) Mobilize predictable, multi-donor resources to finance CODESA’s strategic programs in digitalisation, education, and social development;
- (b) Harmonize donor support under a unified fiduciary and safeguards framework, reducing transaction costs and duplication;
- (c) Ensure fiduciary integrity, procurement transparency, and environmental and social compliance in all financed activities;
- (d) Generate measurable development impact and return on investment (ROI) through improved digital connectivity, institutional capacity, and social inclusion across COMESA Member States.

## 3.2 Eligible Expenditures

The Fund shall finance expenditures that are:

- (a) Directly linked to CODESA’s approved work plans and strategic priorities;
- (b) Necessary for the implementation of regional digitalisation initiatives, including broadband

- infrastructure, e-government platforms, and cybersecurity systems;
- (c) Related to education and skills development programs, including digital literacy, vocational training, and capacity building for SMEs and civil society;
- (d) Associated with social development programs promoting inclusion, gender equity, and access to digital services;
- (e) Required for monitoring, evaluation, and learning (MEL) activities;
- (f) Administrative costs directly attributable to Fund management, subject to a ceiling of five percent (5%) of total contributions.

### **3.3 Ineligible Expenditures**

The Fund shall not finance:

- (a) Recurrent salaries or wage increases;
- (b) Political activities or campaign-related expenditures;
- (c) Debt service or refinancing of existing obligations;
- (d) Activities that fail to meet fiduciary, safeguards, or disclosure requirements.

## **Chapter 4 – Contributions and Sub-Accounts**

### **4.1 Sources of Contributions**

The Fund shall accept contributions in the form of grants, donations, or other non-reimbursable resources from:

- (a) Bilateral and multilateral development partners;
- (b) International financial institutions;
- (c) Foundations and philanthropic organizations;
- (d) Private sector entities, subject to due diligence and compliance with anti-fraud and AML/CFT standards.

### **4.2 Sub-Accounts**

- (a) The Fund shall maintain separate sub-accounts for earmarked and non-earmarked contributions;
- (b) Each sub-account shall be managed in accordance with the donor's financing agreement, provided that such provisions do not conflict with this Charter;
- (c) Interest earned on Fund balances shall accrue to the benefit of the Fund unless otherwise stipulated in the donor agreement.

### **4.3 Currency and Investment of Funds**

- (a) Contributions shall be denominated in convertible currencies acceptable to the Fund;
- (b) Idle balances may be invested in low-risk instruments prioritizing capital preservation and liquidity, consistent with public-sector fiduciary standards;
- (c) Investment income shall be credited to the Fund and disclosed in financial reports.

## **Chapter 5 – Grant and Financing Instruments**

### **5.1 Instruments**

The Fund shall provide financial support through the following instruments:

- (a) **Grants** – Non-reimbursable contributions for programmatic activities, capacity building, and technical assistance;
- (b) **Performance-Based Financing** – Disbursements linked to achievement of agreed milestones and results;



(c) **Matching Funds** – Co-financing arrangements with Member States, private sector entities, or other partners;

(d) **Innovation Windows** – Competitive funding for pilot projects and digital solutions aligned with CODESA's mandate.

## 5.2 Conditions

All financing instruments shall be governed by written agreements specifying objectives, eligible expenditures, reporting obligations, and remedies in case of non-compliance. Disbursements shall be subject to compliance with fiduciary, safeguards, and disclosure requirements as set forth in this Charter and any applicable donor agreements.

# Chapter 6 – Governance

## 6.1 Oversight Structure

The Fund shall be governed by a **Donor Committee** as the principal decision-making body, supported by the CODESA Secretariat as the Fund Administrator. This governance structure ensures separation of policy oversight, fiduciary assurance, and operational execution.

## 6.2 Donor Committee

(a) **Composition** – All contributing partners shall be represented on the Donor Committee.

(b) **Functions** – The Donor Committee shall:

- Approve the Fund's annual work plan and budget allocations;
- Adopt policies and operational guidelines;
- Approve major financing decisions and amendments to this Charter;
- Review audit reports, evaluation findings, and compliance reports.

(c) **Decision-Making** – Decisions shall be taken by consensus or, failing that, by a two-thirds majority of voting members.

(d) **Meetings** – The Committee shall meet at least twice annually, either in person or virtually.

## 6.3 Secretariat Role

(a) The CODESA Secretariat shall act as the Fund Administrator, responsible for day-to-day financial management, disbursement, and reporting;

(b) The Secretariat shall maintain IPSAS-compliant accounts, prepare quarterly and annual financial statements, and ensure timely disclosure of procurement and safeguards data;

(c) The Secretariat shall have no financial liability beyond the resources of the Fund.

## 6.4 Observer Status

The COMESA Secretariat and relevant regional institutions may participate as observers to ensure alignment with regional priorities.

## 6.5 Subcommittees

The Donor Committee may establish subcommittees for **Audit & Risk, Ethics & Compliance, and Safeguards & Inclusion**, with terms of reference approved by the Committee.

## Chapter 7 – Audit, Evaluation, and Transparency

### 7.1 External Audit

- (a) The Fund's financial statements shall be audited annually by an independent external auditor appointed by the Donor Committee.
- (b) The audit shall be conducted in accordance with **International Standards on Auditing (ISA)** and the public-sector assurance principles of **INTOSAI ISSAI 100**.
- (c) The audit report shall be submitted to the Donor Committee within six (6) months of the close of the financial year and shall be made publicly available on the CODESA website.

### 7.2 Internal Audit and Risk Oversight

- (a) The Secretariat shall maintain an internal control framework and, where feasible, establish an Internal Audit function reporting to the Audit & Risk Subcommittee.
- (b) Internal audits shall adopt a risk-based approach, covering cash management, procurement-to-pay processes, and disclosure compliance.

### 7.3 Monitoring, Evaluation, and Learning (MEL)

- (a) The Fund shall operate within CODESA's unified MEL system, aligned with Agenda for Social Equity 2074 and COMESA priorities.
- (b) Each allocation shall define a results chain and indicators at output, outcome, and impact levels, with disaggregation by gender, age, and location.
- (c) Independent evaluations shall be conducted at mid-term and at the end of each strategic cycle (every five years) to assess relevance, effectiveness, efficiency, and sustainability.

### 7.4 Transparency and Disclosure

- (a) The Fund shall operate under a presumption of maximum transparency, subject only to lawful confidentiality constraints.
- (b) The Secretariat shall publish, at minimum:
  - The Fund Charter and amendments;
  - Donor Committee resolutions on allocations and policy decisions;
  - IPSAS-compliant financial statements and audit reports;
  - Procurement data and documents across the full lifecycle in **OCDS** format;
  - MEL indicators, baselines, and performance reports.
- (c) All disclosures shall be made in machine-readable formats and updated in accordance with timelines set by the Donor Committee.

## Chapter 8 – Conditions Precedent and Ongoing Covenants

### 8.1 Conditions Precedent to Disbursement

No disbursement shall be made unless the following conditions are satisfied:

- (a) **Fiduciary Readiness** – Opening of designated accounts, adoption of IPSAS-compliant reporting templates, and initiation of external audit procurement;
- (b) **Procurement Transparency** – Operational readiness for **OCDS** publication of procurement data across planning, tender, award, and contract stages;
- (c) **Safeguards Compliance** – Completion of environmental and social screening and preparation of required instruments under AfDB ISS and/or World Bank ESF;

(d) **Digital Security and Data Protection** – Adoption of baseline cybersecurity controls aligned with **NIST Cybersecurity Framework 2.0** and an **ISO/IEC 27001:2022** roadmap for relevant systems.

## 8.2 Ongoing Covenants

Following initial disbursement, the Secretariat and implementing entities shall:

- (a) Maintain IPSAS-compliant financial reporting and submit quarterly Interim Financial Reports (IFRs);
- (b) Publish procurement data in **OCDS** format for all Fund-financed activities;
- (c) Maintain safeguards instruments and report incidents within stipulated timelines;
- (d) Update cybersecurity and data-protection measures and conduct periodic risk assessments;
- (e) Report MEL indicators and ROI evidence into the public dashboard.

## 8.3 Remedies for Non-Compliance

Material non-compliance with fiduciary, safeguards, or disclosure obligations shall constitute grounds for suspension of disbursements by Donor Committee resolution. A cure period of thirty (30) days may be granted where appropriate. Persistent non-compliance may result in reallocation of unspent funds and public disclosure of enforcement actions.

# Chapter 9 – Dispute Resolution

## 9.1 Definitions

For purposes of this Chapter:

- (a) **“Dispute”** means any controversy, claim, or disagreement arising out of or in connection with this Charter, its interpretation, performance, or termination;
- (b) **“Financing-Specific Dispute”** means a Dispute concerning the commitment, disbursement, use, or recovery of funds, or compliance with donor covenants;
- (c) **“Operational Dispute”** means any other Dispute relating to administrative actions, programmatic priorities, or technical performance that does not primarily concern financing obligations.

## 9.2 Guiding Principles

The Parties shall act in good faith to resolve Disputes expeditiously, proportionately, and in a manner that preserves continuity of Fund operations and compliance obligations.

## 9.3 Tier One – Negotiation (Internal Escalation)

Any Dispute shall first be notified in writing to the Secretariat and the Chair of the Donor Committee for good-faith negotiations. The Donor Committee shall convene, or cause to be convened, a meeting (which may be virtual) within thirty (30) days of such notice to attempt resolution.

## 9.4 Tier Two – Mediation

If negotiations fail, the Parties shall submit the Dispute to mediation under the **UNCITRAL Mediation Rules (2021)**, by a mediator jointly appointed by the Parties, or, failing agreement within fifteen (15) days, by an appointing authority acceptable to the Parties. Mediation shall commence within thirty (30) days of the request and conclude within forty-five (45) days thereafter, unless extended by written agreement. Mediation communications shall be confidential.

## 9.5 Tier Three – Arbitration for Financing-Specific Disputes

- (a) Any Financing-Specific Dispute not resolved by negotiation or mediation shall be finally settled by arbitration under the **UNCITRAL Arbitration Rules** (as revised in 2013);



- (b) The seat of arbitration shall be Lusaka, Zambia (or such other neutral venue as the Parties may agree in writing);
- (c) The language of arbitration shall be English;
- (d) The tribunal shall comprise three (3) arbitrators unless the Parties agree to a sole arbitrator;
- (e) The Secretary-General of the Permanent Court of Arbitration (PCA) shall act as appointing authority unless otherwise agreed;
- (f) Any award shall be final and binding upon the Parties and enforceable under the Convention on the Recognition and Enforcement of Foreign Arbitral Awards (New York, 1958).

### **9.6 Operational Disputes – Internal Governance Determination**

Operational Disputes shall be resolved through internal escalation: first to the Secretariat, then to the CODESA Executive Director, and finally to the Donor Committee. The Donor Committee's written determination shall be final within the Fund's governance framework and not subject to arbitration unless the Dispute materially affects a financing obligation.

### **9.7 Sovereign Immunity; Limited Waiver**

To the extent any Party is, or may be deemed, a sovereign or state-controlled entity, such Party irrevocably agrees to arbitration as provided herein and waives any claim to immunity from jurisdiction or enforcement in respect of arbitration proceedings and the recognition and enforcement of any arbitral award, limited to property not protected by applicable law.

### **9.8 Continued Performance**

Unless otherwise directed by the Donor Committee or ordered by a competent tribunal, the Parties shall continue to perform their undisputed obligations during the pendency of any Dispute.

## **Annexes**

### **A.1 Financial Management and Audit**

- **IPSASB 2024 Handbook** – <https://www.ipsasb.org/publications/2024-handbook-international-public-sector-accounting-pronouncements> [2024 Handb...ouncements]
- **INTOSAI ISSAI 100 – Fundamental Principles of Public-Sector Auditing** – <https://www.issai.org/wp-content/uploads/2019/08/ISSAI-100-Fundamental-Principles-of-Public-Sector-Auditing-1.pdf> [FUNDAMENTA...issai.org]

### **A.2 Procurement and Transparency**

- **World Bank Procurement Regulations for IPF Borrowers (Nov. 2020)** – <https://thedocs.worldbank.org/en/doc/178331533065871195-0290022020/original/ProcurementRegulations.pdf> [THE WORLD BANK]
- **Open Contracting Data Standard (OCDS)** – [https://standard.open-contracting.org/latest/en/\[Open Contr...a Standard\]](https://standard.open-contracting.org/latest/en/[Open Contr...a Standard])

### **A.3 Environmental and Social Safeguards**

- **AfDB Integrated Safeguards System (ISS)** – <https://www.afdb.org/en/news-and-events/press-releases/african-development-bank-groups-updated-integrated-safeguards-system-iss-becomes-effective-71539> [African De...System ...]



- **World Bank Environmental and Social Framework (ESF)** – <https://www.worldbank.org/en/projects-operations/environmental-and-social-framework> [Environmen...Bank Group]

#### A.4 Digital Security and Data Protection

- **NIST Cybersecurity Framework 2.0** – <https://www.nist.gov/cyberframework> [Cybersecur...ork | NIST]
- **ISO/IEC 27001:2022 – Information Security Management Systems** – <https://www.iso.org/standard/27001> [ISO/IEC 27...nt systems]

#### A.5 Dispute Resolution

- **UNCITRAL Mediation Rules (2021)** – [https://uncitral.un.org/sites/uncitral.un.org/files/media-documents/uncitral/en/22-01369\\_mediation\\_rules\\_ebook\\_1.pdf](https://uncitral.un.org/sites/uncitral.un.org/files/media-documents/uncitral/en/22-01369_mediation_rules_ebook_1.pdf) [UNCITRAL M...ed Nations]
- **UNCITRAL Arbitration Rules (2013)** – <https://uncitral.un.org/sites/uncitral.un.org/files/media-documents/uncitral/en/uncitral-arbitration-rules-2013-e.pdf> [UNCITRAL A...dopted ...]
- **Permanent Court of Arbitration (PCA) – Appointing Authority** – <https://pca-cpa.org/en/services/appointing-authority/uncitral-rules/> [UNCITRAL A... | PCA-CPA]
- **New York Convention (1958)** – <https://uncitral.un.org/sites/uncitral.un.org/files/media-documents/uncitral/en/new-york-convention-e.pdf> [UNCITRAL A...dopted ...]