Mr. Sam Sharpe  
Director Asia, Caribbean and Overseas Territories Division  
Department for International Development (DFID)  
1 Palace Street  
London  
SW1E 5HE

Trust Fund Administration Arrangement between the Government of United Kingdom of Great Britain and Northern Ireland and the International Bank for Reconstruction and Development and the International Development Association concerning the Partnership for South Asia Regional Integration Programmatic Multi-Donor Trust Fund (TF No. TF071881)

Dear Mr. Sharpe:

1. We are pleased to acknowledge on behalf of the International Bank for Reconstruction and Development (“IBRD”) and the International Development Association (“IDA”) (collectively, the “Bank”) that the Government of the United Kingdom of Great Britain and Northern Ireland (the “Donor”), acting through the Department for International Development (“DFID”) will make available as a grant the sum of five million nine hundred and thirty five thousand Pound Sterling (£5,935,000.00) (the “Contribution”) for the Partnership for South Asia Regional Integration Programmatic Trust Fund (the “Trust Fund”) in accordance with the terms of this Agreement. Other donors are also expected to contribute to the Trust Fund on the terms and conditions specified in the Annexes to this Agreement.

2. The Contribution will be used to finance the activities and the categories of expenditures in accordance with the terms set forth in the “Description of Activities, Expenditures and Governance Arrangements for the Partnership for South Asia Regional Integration Programmatic Trust Fund” attached hereto as Annex 1, and will be administered by the Bank on behalf of the Donor in accordance with the terms of this Arrangement including the “Standard Provisions Applicable to the Partnership for South Asia Regional Integration Programmatic Trust Fund” (the “Standard Provisions”) attached hereto as Annex 2.

3. The Donor will deposit the Contribution into such bank account designated by the Bank promptly following countersignature of this Arrangement by the Donor and
submission of a payment request by the Bank in installments in accordance with the following schedule and after submission of a payment request by the Bank:

(a) on or before June 25, 2012, £1,015,000;
(b) on or before December 15, 2012, £1,015,000;
(c) on or before June 15, 2013, £1,120,000;
(d) on or before December 15, 2013, £1,120,000;
(e) on or before June 15, 2014, £832,500;
(f) on or before December 15, 2014, £832,500.

4. When making each such deposit, the Donor will instruct its bank to include in its payment details information (remittance advice) field of its SWIFT payment message, information indicating: the amount paid, that the payment is made by the Donor for TF071881 (the Partnership for South Asia Regional Integration Programmatic Trust Fund), and the date of the deposit (the “Deposit Instruction”). In addition, the Donor will provide a copy of the Donor’s Deposit Instruction to the Bank’s Accounting Trust Funds Division by e-mail sent to tfremitadvice@worldbank.org or by fax sent to (202) 614-1315.

5. The Bank will convert the Contribution funds into the holding currency of the Trust Fund, namely United States Dollars, promptly upon receipt of the Contribution funds and the Deposit Instruction containing the information specified in paragraph 4 at the exchange rate obtained by the Bank on the date of the conversion. Where the Contribution proves to be insufficient to complete the activities as a result of an exchange rate fluctuation, neither the Bank nor the Donor will bear any responsibility for providing any additional financing.

6. Except as provided for in paragraph 4 above, any notice, request or other communication to be given or made under this Arrangement will be in writing and delivered by mail, facsimile or e-mail to the respective party’s address specified below or at such other address as such party notifies in writing to the other party from time to time:

For the Bank:

Diep Nguyen-van Houtte  
Senior Operations Officer  
South Asia Regional Integration Unit (SACRI)  
The World Bank  
1818 H Street, NW  
Washington, DC 20433  
U.S.A.

Tel: +1-202-473-7213  
Fax: +1-202-614-7213  
E-mail: dnguyenvanhoutte@worldbank.org
For the Donor:

Mr. Paul Mullard  
Asia Regional Team Leader  
Department for International Development  
1 Palace Street, London SW1E 5HE  
Tel: 020 7023 1950  
E-mail: P-Mullard@dfid.gov.uk 

7. All annexes hereto constitute an integral part of this Agreement. This Arrangement may be amended only in writing between the Bank and the Donor; provided, however, that such annexes may be amended only with the agreement of all donors contributing to the Trust Fund.

8. Please confirm your acceptance with the foregoing, on behalf of the Donor, by signing and dating the two originals, retaining one original for your record and returning the other original to the Bank. Upon receipt by the Bank of the original Arrangement countersigned by you, this Arrangement will become effective as of the date of the countersignature. It is understood that this Arrangement is not an international treaty. It is an administrative Arrangement between DFID and the Bank.

Sincerely,

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT/INTERNATIONAL DEVELOPMENT ASSOCIATION

Salman Zaheer  
Director, South Asia Regional Integration Unit (SACRI)  

AGREED:

DEPARTMENT FOR INTERNATIONAL DEVELOPMENT (DFID)  

By: ____________  
Name: S.J. Sharif  
Title: Acting Director, ACOI, DFID  
Date: 7 Jun 2011
Description of Activities, Expenditures and Governance Structure under the Partnership for South Asia Regional Integration Programmatic Trust Fund

This Annex will be applicable to and form an integral part of all agreements entered into between the Bank and entities (collectively, the "Donors") that provide contributions (the aggregate of all contributions from the Donors, the "Contributions") to be administered by the Bank for the Trust Fund.

A. OBJECTIVE AND DESCRIPTION OF ACTIVITIES

The objective of the Bank’s Five Year (2011-16) Regional Integration Program in South Asia is to expand cross-border, sub-regional, and regional economic cooperation within the Region by improving the environment for such cooperation and strengthening the institutions and infrastructure for cooperation. Between Central Asia (specifically Kyrgyz Republic, Tajikistan, and Uzbekistan) and South Asia, the Program will focus on expanding electricity trade. A sub-objective is to develop and test a framework to facilitate inclusive growth, specifically to ensure that inhabitants living along transport corridors and border areas can access a fair share of benefits from regional cooperation.

(i) Bank-Executed Trust Fund Activities:

Western Corridor -- Project preparation and implementation support; Policy-related analysis; Institutional design and capacity building; Knowledge Generation, Dissemination and Communication; and developing networks of practice.

Eastern Corridor -- Project preparation and implementation support; Policy-related analysis; Institutional design and capacity building; Knowledge Generation, Dissemination and Communication; and developing networks of practice.

(ii) Recipient-Executed Trust Fund Activities:

Western Corridor -- Studies, Technical Assistance, and Project Preparation.

Eastern Corridor -- Studies, Technical Assistance, and Project Preparation.

B. CATEGORIES OF EXPENDITURE

For Bank-Executed activities the Contributions may be used to finance (a) consultant fees individuals and firms; (b) contractual services; (c) associated overhead; (d)
equipment and office premises lease cost; (e) extended term consultants; (f) extended term consultants - no indirects; (g) field assignment benefits; (h) media, workshops, conferences, and meetings; (i) staff costs - no indirects; (j) temporary support staff costs; and (k) travel expenses.

For Recipient-Executed activities, the Contributions may be used to finance (a) civil works; (b) consultants; (c) goods; (d) operating costs; (e) training; and (f) other.

The foregoing categories of expenditures may include the financing of taxes.

C. GOVERNANCE STRUCTURE

Governance and plans for reporting to Donors on implementation progress of TF activities: DFID (and other donors who may join later) will participate with the Bank in a Trust Fund Donor-World Bank Advisory Committee and as such will be regularly informed of the progress of implementation of the trust fund. The Advisory Committee will consist of designated staff from DFID (and from other donors who may join), the World Bank’s Director for Regional Integration, the Program Manager, and the relevant Sector Managers from the Bank’s South Asia Region. Representatives of other Bank units, the IFC, and other development partners involved in regional integration (such as the Asian Development Bank) may be included as needed. The role of the Advisory Committee will be to: 1. Provide advice to the Program Manager on issues regarding the operation of the program; 2. Review program progress reports and provide feedback to the Program Manager, including on proposed adjustments; and 3. Review and plan with the Program Manager the proposed annual budget, business and staffing plan and performance indicators for the forthcoming fiscal year. The day-to-day operations of the trust fund will be conducted by the Program Manager appointed by the Bank who will be responsible for program delivery and ensuring effective communication with the Donor(s). He/she will be supported by a full-time staff member and will report to the South Asia Director for Regional Integration (SACRI), and to the donors on the progress of activities being supported as well as the results being achieved. The Advisory Committee would provide strategic guidance and will meet on an annual basis to review and approve the progress of the Program activities/outputs, outcomes, and allocation of the resources. SACRI will service as Secretariat, consisting of the Program Manager, the Regional Integration Director, a full-time staff and other administrative support as required. A six monthly progress report will be submitted to Donor Partners and will be used as a basis for refining the annual work program and preparing the subsequent year’s work program. The Advisory Committee will formally review progress of the Program semi-annually in the first year and then annually for subsequent years. The Program Manager will coordinate this process. As the trust fund program grows, window managers may be appointed by the Program Manager as needed to manage specific components of the trust fund program. Individual task team leaders (TTLs) will be appointed to manage each grant funded activity supported by the trust fund. They will be responsible for reporting progress to the Program Manager and Advisory Committee, as well as for ensuring compliance with all relevant policies and procedures of the Bank.
Staffing resources have been agreed with DFID and will be revisited annually or as necessary. The proposed trust fund would not undermine or circumvent existing systems to ensure that the work of sector departments in South Asia is consistent with the regional and country strategies and part of an agreed work program between the Bank and the government. TTLs would have to ensure that their individual activities have appropriate country-specific clearances and have followed regular processes of approval and review, including peer review, and dissemination.

FY12-16 Priorities and DFID Funding: The Program’s initial priorities are to expand electricity/energy and goods trade, areas where there is emerging high level political support and in which the private sector can play a significant role. The Program will facilitate dialogue to deepen consensus around emerging opportunities, help prepare and implement specific projects that facilitate trade, and strengthen institutional capacity associated with electricity and goods trade. It will leverage synergies from on-going regional activities (by the Bank, IFC and others) in the areas of water resource management, tourism, food and nutrition security, private sector development, the economic empowerment of poor women in rural areas, and the development of Afghanistan’s mineral resource corridors. The following criteria will be used to determine the fit of proposals to be financed:

- Whether the proposed activities align with the strategic objectives, outcome areas and intervention instruments of the programmatic trust fund;
- Whether the proposed activities align with country strategic priorities, and have the buy-in of the relevant CMUs; and
- Whether the proposed activities have been discussed with and have the clearance of sector management.

If the proposed activities do not clearly fit these program criteria, the Program Manager will seek the advice and consensus of the Advisory Committee before moving forward with the proposal. To promote efficiency and accountability, and to limit fragmentation of tasks, the Program seeks to sponsor activities in full (rather than partial funding) and with a minimum cost of $50,000. However, if there are worthwhile exceptions that should be considered, the Program Manager will seek the advice and consensus of the Advisory Committee.
ANNEX 2

Standard Provisions Applicable to the Partnership for South Asia Regional Integration Programmatic Trust Fund

This Annex will be applicable to and form an integral part of all agreements entered into between the Bank and the Donors that provide Contributions to be administered by the Bank for the Trust Fund.

1. Administration of the Contributions

1.1. The Bank will be responsible only for performing those functions specifically set forth in this Arrangement and will not be subject to any other duties or responsibilities to the Donors, including, without limitation, any duties or obligations that might otherwise apply to a fiduciary or trustee under general principles of trust or fiduciary law. Nothing in this Arrangement will be considered a waiver of any privileges or immunities of the IBRD and IDA under their Articles of Agreement or any applicable law, all of which are expressly reserved.

1.2. The Contribution will be administered in accordance with the Bank's applicable policies and procedures, as the same may be amended from time to time, including its framework to prevent and combat fraud and corruption and its screening procedures to prevent the use of Bank resources to finance terrorist activity, in line with the Bank's obligations to give effect to the relevant decisions of the Security Council, taken under Chapter VII of the Charter of the United Nations. The Donor acknowledges that this provision does not create any obligations of the Bank under the anti-terrorist financing and asset control laws, regulations, rules and executive orders of an individual member country that may apply to the Donor, nor will it be deemed a waiver, express or implied, of any of the privileges and immunities of the Bank.

2. Commingling, Exchange and Investment of the Contributions

2.1. The Contributions will be accounted for as a single trust fund and will be kept separate and apart from the funds of the Bank. The Contributions may be commingled with other trust fund assets maintained by the Bank.

2.2. The Contributions may be freely exchanged by the Bank into other currencies as may facilitate their disbursement.

2.3. The Bank will invest and reinvest the Contributions pending their disbursement in accordance with the Bank's policies and procedures for the investment of trust funds administered by the Bank. The Bank will credit all income from such investment to the Trust Fund to be used for the same purposes as the Contributions.
3. **Administrative Cost Recovery**

3.1 In order to assist in the defrayment of the costs of administration and other expenses incurred by the Bank under this Agreement, the Bank may deduct and retain for its own account an amount equal to two percent (2%) of each Contribution from the Contributions. In addition, costs for program management and administration up to a maximum of 10% will be charged to the Trust Fund on an actual basis. If the contributions increase beyond what was originally expected at the time of counter-signature of the first administration agreement, and the administrative costs increase as a result, the Donors acknowledge that an additional administrative fee may be applied to such new contributions.

4. **Grants to Recipients**

4.1. The Bank shall, as administrator of the Trust Fund on behalf of the Donors, enter into grant agreements (the “Grant Agreements”) with eligible recipients selected in accordance with the governance terms of Annex 1 (the “Recipients”) consistent with the purposes of this Arrangement and on the terms and conditions set forth in the Grant Agreements. Grant Agreements may be entered into up to the maximum amount of the Contributions that all Donors have agreed to make available under the Administration Agreements between the Bank and the Donors. Upon request by a Donor, the Bank will furnish a copy of the Grant Agreements to the Donors.

4.2. The Bank will be responsible for the supervision of the activities financed under the Grant Agreements. Subject to the consent of the relevant Recipients, representatives of the Donors may be invited by the Bank to participate in Bank supervision missions related to the Trust Fund.

4.3. The Bank will promptly inform the Donors of any significant modification to the terms of any Grant Agreement and of any contractual remedies that are exercised by the Bank under any Grant Agreement. To the extent practicable, the Bank will afford the Donors the opportunity to exchange views before effecting any such modification or exercising any such remedy.

5. **Procurement**

5.1. For Recipient-executed activities, the Grant Agreements will provide that the Contributions will be used by the Recipients to finance expenditures for goods and services, as the case may be, in accordance with the Bank’s Guidelines on “Procurement under IBRD Loans and IDA Credits” and the Bank’s Guidelines on the “Selection and Employment of Consultants by World Bank Borrowers,” as in effect at the date of entry into the respective Grant Agreements.

5.2. For Bank-executed activities, the employment and supervision of any consultants and the procurement of any goods financed by the Contributions will be the responsibility
of the Bank and will be carried out in accordance with its applicable policies and procedures.

6. **Accounting and Financial Reporting**

6.1. The Bank will maintain separate records and ledger accounts in respect of the Contributions deposited in the Trust Fund account and disbursements made therefrom.

6.2. The Bank will furnish to the Donors current financial information relating to receipts, disbursements and fund balance *in the holding currency* of the Trust Fund with respect to the Contributions via the World Bank’s Trust Funds Donor Center secure website. Within six (6) months after all commitments and liabilities under the Trust Fund have been satisfied and the Trust Fund has been closed, the final financial information relating to receipts, disbursements and fund balance *in the holding currency* of the Trust Fund with respect to the Contributions will be made available to the Donors via the World Bank’s Trust Funds Donor Center secure website.

6.3. The Bank will provide to the Donors, within six (6) months following the end of each Bank fiscal year, an annual single audit report, comprising (1) a management assertion together with an attestation from the Bank’s external auditors concerning the adequacy of internal control over cash-based financial reporting for all cash-based trust funds as a whole; and (2) a combined financial statement for all cash-based trust funds together with the Bank’s external auditor’s opinion thereon. The cost of the single audit will be borne by the Bank.

6.4. If a Donor wishes to request, on an exceptional basis, a financial statement audit by the Bank’s external auditors of the Trust Fund, the Donor and the Bank will first consult as to whether such an external audit is necessary. The Bank and the Donor will agree on the appropriate scope and terms of reference of such audit. Following agreement on the scope and terms of reference, the Bank will arrange for such external audit. The costs of any such audit, including the internal costs of the Bank with respect to such audit, will be paid by the requesting Donor.

6.5. The Bank will provide the Donors with copies of all financial statements and auditors’ reports received by the Bank from the Recipients pursuant to the Grant Agreements.

7. **Progress Reporting**

7.1. The Bank will provide the Donors with an annual report on the progress of activities financed by the Contributions. Within six (6) months of the final disbursement date specified in paragraph 8.1, the Bank will furnish to the Donors a final report on the activities financed by the Trust Fund.
7.2 Any Donor may review or evaluate activities financed by the Trust Fund. The Donor and the Bank will agree on the scope and conduct of such review or evaluation, and the Bank will provide all relevant information within the limits of its policies and procedures. All associated costs will be borne by the Donor. It is understood that any such review or evaluation will not constitute a financial, compliance or other audit of the Trust Fund.

8. Disbursement; Cancellation; Refund

8.1 It is expected that the Contributions will be fully disbursed by the Bank by June 30, 2016. The Bank will only disburse Contributions for the purposes of this Arrangement after such date with the written approval of the Donors.

8.2 Any Donor or the Bank may, upon three (3) months’ prior written notice, cancel all or part of the Donor’s pro rata share, of any remaining balance of the Contributions that is not committed pursuant to any agreements entered into between the Bank and any consultants and/or other third parties for the purposes of this Arrangement prior to the receipt of such notice, including the Grant Agreements.

8.3 Following the final disbursement date specified in paragraph 8.1, the Bank will return any remaining balance of the Contributions to the Donors or to the relevant Donor Balance Account on a pro rata basis based on the Donors’ paid Contributions. In the event of a cancellation the Bank will promptly return to the relevant Donor or Donors or to the relevant Donor Balance Account the Donor’s pro rata share of uncommitted Contributions in accordance with paragraph 8.2.

9. Disclosure

9.1 The Bank will disclose this Arrangement and related information on this Trust Fund in accordance with the World Bank Policy on Access to Information. By entering into this Arrangement, Donors consent to disclosure of this Arrangement and related information on this Trust Fund.