

The World BankINTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
INTERNATIONAL DEVELOPMENT ASSOCIATION1818 H Street N.W.
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October 5, 2010

Ms. Kate English
Resident Representative
DfID
215, Manaschy Sagynbai Str.
72 00 10 Bishkek
Kyrgyz Republic

Trust Fund Administration Arrangement between the Government of the United Kingdom of Great Britain and Northern Ireland and the International Bank for Reconstruction and Development and the International Development Association concerning the Trust Fund for the Health and Social Protection Project for the Kyrgyz Republic (Trust Fund No TF071559 successor of TF070494)

Dear Ms. English:

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”), shall make available as a grant the sum of nine hundred seventy-nine thousand six hundred and twenty-four Pounds Sterling (£979,624) (the “Contribution”) for the Health and Social Protection Project for the Kyrgyz Republic (the “Trust Fund”) in accordance with the terms of this Agreement. This trust fund is the successor to trust fund TF070494. All correspondence and financial reporting regarding this Contribution shall reference this new Trust Fund Number “TF071559”.

2. Activities and Expenditures Financed by the Contribution

The Contribution shall be used to finance the activities and the categories of expenditure set forth in the “Description of Activities and Expenditures under the Health and Social Protection Project Trust Fund” attached hereto as Annex 1, and shall be administered by the Bank on behalf of the Donor in accordance with the terms of this Agreement and the terms applicable to Part A of the Project under the Development Grant Agreement for the Health and Social Protection Project between the Kyrgyz Republic and IDA, dated March 10, 2006 (IDA GRANT NUMBER H197 KG) (“Development Grant Agreement”).

3. Administration of the Contribution

3.1. The Bank shall be responsible only for performing those functions specifically set forth in this Agreement and shall not be subject to any other duties or responsibilities to the Donor, 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 Agreement shall 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.

3.2. The Contribution shall 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 shall it be deemed a waiver, express or implied, of any of the privileges and immunities of the Bank.

4. Deposit of the Contribution

4.1. The Donor shall deposit the Contribution into such bank account designated by the Bank promptly following countersignature of this Agreement by the Donor and submission of a payment request by the Bank.

4.2. When making such deposit, the Donor shall 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 TF071559 (the Health and Social Protection Project Trust Fund), and the date of the deposit (the "Deposit Instruction"). In addition, the Donor shall provide a copy of the Donor's Deposit Instruction to the Bank's Accounting Trust Funds Division by e-mail sent to tfremiadvice@worldbank.org or by fax sent to (202) 614-1315.

4.3. The Contribution funds shall be maintained in Pounds Sterling (holding currency). In the event that the Contribution funds are received in a currency other than the holding currency, the Bank shall convert the Contribution funds into the holding currency of the Trust Fund promptly upon receipt of the Contribution funds and the Deposit Instruction containing the information specified in paragraph 4.2 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 shall bear any responsibility for providing any additional financing.

5. Commingling, Exchange and Investment of the Contributions

5.1. The Contributions shall be accounted for as a single trust fund and shall 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.

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

5.3. The Bank shall 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 shall credit all income from such investment to the Donor's Balance Account, (Trust Fund No. TF029043).

6. Administrative Cost Recovery

6.1. 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, following deposit of the Contribution, deduct and retain for its own account an amount equal to five percent (5%) of the Contribution. If the contributions increase beyond what was originally expected at the time of counter-signature of this Agreement, and the administrative costs increase as a result, the Donor acknowledges that an additional administrative fee may be applied to such new contributions.

7. Grant to Recipient

7.1. The Bank shall, as administrator of the Trust Fund on behalf of the Donor, enter into a grant agreement (the "Grant Agreement") with Kyrgyz Republic (the "Recipient") consistent with the purposes of this Agreement and on the terms and conditions set forth in the Grant Agreement. The Grant Agreement may be entered into up to the maximum amount of the Contribution that the Donor has agreed to make available under this Agreement. Upon request by the Donor, the Bank shall furnish a copy of the Grant Agreement to the Donor.

7.2. The Bank shall be responsible for the supervision of the activities financed under the Grant Agreement. Subject to the consent of the Recipient, representatives of the Donor may be invited by the Bank to participate in Bank supervision missions related to the Trust Fund.

7.3. The Bank shall promptly inform the Donor 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 shall afford the Donor the opportunity to exchange views before effecting any such modification or exercising any such remedy.

8. Procurement

8.1. The Grant Agreement shall provide that the Contribution shall be used by the Recipient 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 Agreement.

9. Accounting and Financial Reporting

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

9.2. The Bank shall furnish to the Donor 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 Donor via the World Bank's Trust Funds Donor Center secure website.

9.3. The Bank shall provide to the Donor, 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 shall be borne by the Bank.

9.4. If the 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 shall first consult as to whether such an external audit is necessary. The Bank and the Donor shall agree on the appropriate scope and terms of reference of such audit. Following agreement on the scope and terms of reference, the Bank shall arrange for such external audit. The costs of any such audit, including the internal costs of the Bank with respect to such audit, shall be paid by the Donor.

9.5. The Bank shall provide the Donor with copies of all financial statements and auditors' reports received by the Bank from the Recipient pursuant to the Grant Agreement.

10. Progress Reporting

10.1. The Bank shall provide the Donor 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 11.1, the Bank shall furnish to the Donor a final report on the activities financed by the Trust Fund.

10.2. The Donor may review or evaluate activities financed by the Trust Fund. The Donor and the Bank shall agree on the scope and conduct of such review or evaluation, and the Bank shall provide all relevant information within the limits of its policies and procedures. All associated costs shall 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.

11. Disbursement; Cancellation; Refund

11.1. It is expected that the Contributions will be fully disbursed by the Bank by December 31, 2011. The Bank shall only disburse Contributions for the purposes of this Agreement after such date with the written approval of the Donor.

11.2. The Donor or the Bank may, upon three (3) months' prior written notice, cancel all or part of any remaining balance of the Contributions that are not committed pursuant to any agreements entered into between the Bank and any consultants and/or other third parties for the purposes of this Agreement prior to the receipt of such notice, including the Grant Agreement.

11.3. Following the final disbursement date specified in paragraph 11.1, the Bank shall return any remaining balance of the Contributions to the Donor based on the Donor's paid Contribution. In the event of a cancellation the Bank shall promptly return to the Donor the uncommitted Contribution in accordance with paragraph 11.2.

12. Communication and Addresses

Except as provided for in paragraph 4.2 above, any notice, request or other communication to be given or made under this Agreement shall 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:

Name: Tamer Samah Rabie
Title: Senior Health Specialist
Unit/Department: ECSH1
The World Bank
Office H11-107
1818 H Street, N.W.
Washington DC, 20433 USA
Tel: (+1202) 458-2312
Fax: (+1202) 477-0574

For the Donor:

Name: Bill Kilby
Title: Team Leader
Office: Europe and Central Asia Department
Department for International Development
Address: 1 Palace Street
London, SW1E 5HE, United Kingdom
Tel: +44 207 023 0463
Fax: +44 207 023 1097”

13. Amendment

All annexes hereto constitute an integral part of this Agreement. This Agreement may be amended only in writing between the Bank and the Donor.

14. Disclosure

The Bank will disclose this Agreement and related information on this Trust Fund in accordance with the World Bank Policy on Access to Information. By entering into this Agreement, the Donor consents to disclosure of this Agreement and related information on this Trust Fund.

Please confirm your agreement with the foregoing, on behalf of the Donor, by signing, dating, and returning to us the enclosed copy of this Agreement. Upon receipt by the Bank of the copy of this Agreement countersigned by you, this Agreement will become effective as of the date of the countersignature.

Sincerely,

**INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT AND
INTERNATIONAL DEVELOPMENT ASSOCIATION**

By: /s/ Motoo Konishi
Regional Director
Kyrgyz Republic

AGREED:

**GOVERNMENT OF THE UNITED KINGDOM OF GREAT BRITAIN AND
NORTHERN IRELAND, ACTING THROUGH THE DEPARTMENT FOR
INTERNATIONAL DEVELOPMENT**

By: /s/ Bill Kilby
Name: Bill Kilby
Title: Team Leader
Date: October 14, 2010

Description of Activities and Expenditures under the Health and Social Protection Project Trust Fund

This Annex shall be applicable to and form an integral part of the agreement entered into between the Bank and the Donor that provides contributions (the aggregate of all contributions from the Donor, the “Contributions”) to be administered by the Bank for the Trust Fund.

A. DESCRIPTION OF ACTIVITIES

The objective of the Project, as set forth in the Health and Social Protection Project, is to improve health status of the of the population of the Recipient through creation of effective, comprehensive and integrated delivery system of individual and public health services, including increased responsibility of every citizen, family, society and public administration bodies for health of each person and for the society as a whole.

The Project consists of the parts set forth in the Health and Social Protection Project, namely:

Part A: “Manas Taalimi” Program and its associated Program of Work

Support to the Ministry of Health in the implementation of the “Manas Taalimi” Program covering period 2006-2010 and its associated Program of Work to be agreed upon annually between the Recipient and IDA, including strengthening Ministry of Health’s institutional and fiduciary capacities.

Part B: Strengthening the Administrative System of the Agency of Social Protection

Support to the Agency of Social Protection in the implementation of proposals on consolidating and restructuring cash social assistance benefits, developing eligibility conditions for the consolidated benefit structure and building and efficient administrative system for implementing associated benefits, including institutional strengthening.

B. CATEGORIES OF EXPENDITURE

A. General

1. The table below sets forth the Category of items to be financed out of the proceeds of the Contribution, the allocation of the amounts of the Contribution to the Category and the percentage of expenditures for items so to be financed in said Category:

<u>Category</u>	<u>Amount of the Contribution Allocated (Expressed in Pounds Sterling Equivalent)</u>	<u>% of Expenditures to be Financed</u>
(1) Transfers for APWs	979,624	Such amount of Eligible Program Expenditures as shall be agreed upon between the Recipient and the Association for respective APW
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TOTAL	<u>979,624</u>	

(2). For the purposes of this Schedule: (a) the term “Transfers for APWs” means the amount of the proceeds of the Contribution transferred by IDA, through the Recipient’s Ministry of Finance, to the Recipient’s Ministry of Health’s budget to cover reasonable costs of goods, works, consultants’ services, training, incremental operating costs and recurrent costs required for the implementation of respective APWs; and (b) the term “Annual Program of Work” or “APW” means the annual program of activities set forth in paragraph (a) of Section 1.02 of the Development Grant Agreement for the IDA GRANT NUMBER H197 KG.