

CONFORMED

December 13, 2010

Ms. Louise Clément
Senior Director for regional and geographic programs
Southern and Eastern Africa Directorate
Canadian International Development Agency
200 Promenade du Portage, Gatineau, Quebec
Canada, K1A 0G4

Trust Fund Administration Arrangement between the Government of Canada as represented by the Minister for International Cooperation acting through the Canadian International Development Agency and the International Bank for Reconstruction and Development and the International Development Association concerning the African Capacity Building Foundation - Partnership for Capacity Building in Africa - Strategic Medium Term Plan 2 (ACBF – PACT -- SMTP 2) Multi-Donor Trust Fund (TF No. 071599)

Dear Ms.Clément:

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 Canada as represented by the Minister for International Cooperation acting through the Canadian International Development Agency*** (the “Donor”) will make available as a grant the sum of ***eighteen million Canadian dollars (CDN\$18,000,000)*** (the “Contribution”) for the ***African Capacity Building Foundation - Partnership for Capacity Building in Africa - Strategic Medium Term Plan 2 (ACBF – PACT -- SMTP 2) Trust Fund*** (the “Trust Fund”) in accordance with the terms of this Arrangement. Other donors are also expected to contribute to the Trust Fund on the terms and conditions specified in the Annexes to this Arrangement.

2. The Contribution will be used to finance the activities and the categories of expenditure in accordance with the terms set forth in the “Description of Activities and Expenditures and Governance Arrangements for the ACBF – PACT -- SMTP 2 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 ACBF – PACT -- SMTP 2 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 in installments in accordance with the following schedule (which schedule may only be amended in writing between the Donor and the Bank):

- (a) promptly following countersignature of this Arrangement by the Donor and submission of a payment request by the Bank, ten million Canadian dollars (CDN\$10,000,000) for the Donor's fiscal year 2010-2011; and
- (b) on or before March 31, 2012, upon submission of a payment request by the Bank, eight million Canadian dollars (CDN\$8,000,000) for the Donor's fiscal year 2011-2012.

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 *TF No. 071599 (the African Capacity Building Foundation - Partnership for Capacity Building in Africa - Strategic Medium Term Plan 2 (ACBF – PACT -- SMTP 2) 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 (USD), 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. Use of Funds

- (a) No member of the House of Commons of Canada will be admitted to any share or part of this Arrangement or to any benefit arising therefrom.
- (b) No current or former public office holder or public servant of the Government of Canada who is not in compliance with the Conflict of Interest and Post-Employment Code for Public Office Holders or the Values and Ethics Code for the Public Service will derive a direct benefit from this Arrangement.
- (c) Any payment to be made under this Arrangement is subject to there being an appropriation by the Parliament of Canada for the fiscal year in which the payment is to be made. If CIDA's appropriation is changed by the

Parliament of Canada, CIDA may reduce the Contribution, or terminate this Arrangement.”

- (d) No offer, gift or payment, consideration or benefit of any kind, which constitutes an illegal or corrupt practice, has or will be made to anyone, either directly or indirectly, as an inducement or reward for the award or execution of this Arrangement. Any such practice will be grounds for terminating this Arrangement or taking any other corrective action as required.
7. 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:

Mr. Yusupha Crookes
Director, Regional Integration
Africa Region
The World Bank
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Washington, DC 20433
U.S.A.

Tel: +251-115-176113
Fax: +251-116-627466
E-mail:ycrookes@worldbank.org

For the Donor:

Ms. Louise Clément
Senior Director for regional and geographic programs
Southern and Eastern Africa Directorate
Canadian International Development Agency
200 Promenade du Portage, Gatineau, Quebec
Canada, K1A 0G4

Tel: (819) 994-4297
Fax: (819) 997-5453

8. All annexes hereto constitute an integral part of this Arrangement. 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/understanding of all donors contributing to the Trust Fund.

9. All references made in Annexes and related documents to “Administration Agreement” or this “Agreement” will have the same meaning as the term “Administration Arrangement” or “Arrangement” used herein.

10. Please confirm your understanding 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 Canada and the Bank.

Sincerely,

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

//s// Yusupha Crookes

Authorized Representative

AGREED:

**GOVERNMENT OF CANADA
as represented by the
MINISTER FOR INTERNATIONAL COOPERATION
acting through the
CANADIAN INTERNATIONAL DEVELOPMENT AGENCY**

By: //s// Louise Clément

Date: December 20, 2010

Name: Louise Clément

Title: Senior Director for Regional and Geographic Programs

ANNEX 1

Description of Activities and Expenditures and Governance Arrangements
for the
ACBF – PACT -- SMTP 2 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. DESCRIPTION OF ACTIVITIES

The objectives of the activities (Activities) to be financed under this Trust Fund are to contribute to (a) enhanced capacity for effective policy formulation in the countries of grant recipients of the African Capacity Building Foundation (variously, “ACBF” or “Recipient”); and (b) improvements in the management of ACBF’s operations.

The Activities consist of the following:

1. Recipient-executed Activities

(a) Capacity Building Sub-grants

Financing, through the provision of grants, of specific development projects to enhance the institutional capacity of the governments of Sub-Saharan African countries, regional organizations serving such countries, and other entities established in such countries, in areas included in ACBF’s Strategic Medium Term Plan 2.

(b) Institutional Development

- (i) Continued implementation of ACBF’s management action plan.
- (ii) Development of a forward looking medium term strategy for ACBF, including establishment of an effective monitoring and evaluation system.
- (iii) Preparation, supervision and evaluation of subprojects financed by ACBF.
- (iv) Development and implementation of knowledge and learning activities.

2. Bank-executed Activities

Provision of implementation support to the Recipient for the Recipient-executed activities listed in paragraph 1 above, including supervision of their implementation.

B. CATEGORIES OF EXPENDITURE

1. For Bank-Executed activities the Contributions may be used to finance:
 - (a) staff costs (including term, open and short term consulting staff);
 - (b) travel expenses;
 - (c) consultants' fees; and
 - (d) associated overheads.

2. For Recipient-Executed activities, the Contributions may be used to finance:
 - (a) goods and non consultants' services;
 - (b) consultants' services
 - (c) Training; and
 - (d) Operating Costs.

For purposes of this paragraph 2, the following terms will have the meanings ascribed to them:

- (i) "Training" means the reasonable costs associated with training and workshop participation under the Activities, consisting of travel and subsistence costs for training participants, costs associated with securing the services of trainers, rental of training facilities, preparation and reproduction of training materials, and other costs directly related to course or workshop preparation and implementation.

- (ii) "Operating Costs" means the incremental expenses incurred on account of implementation of the Activities, consisting of reasonable expenditures for, *inter alia*, office supplies, vehicle operation and maintenance, communication and insurance costs, banking charges, rental expenses, office and office equipment maintenance, utilities, document duplication/printing, consumables, travel cost and *per diem* for staff of ACBF for travel linked to the implementation of the Activities, and salaries of ACBF staff.

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

C. GOVERNANCE ARRANGEMENTS

The governance arrangements will be the same as those applicable to the IDA Grant proposed to be made to ACBF to co-finance this Trust Fund.

ANNEX 2

Standard Provisions
applicable to the
ACBF – PACT -- SMTP 2 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 Agreement 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 Agreement 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

3.2. 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 one percent (1 %) of each Contribution. In addition, costs for program management and administration of the Trust Fund up to a maximum of one and one half percent (1.5%) of each Contribution¹, 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. Grant to Recipient

4.1. The Bank will, as administrator of the Trust Fund on behalf of the Donors, enter into one or more grant agreements (each, a “Grant Agreement”) with the African Capacity Building Foundation (the “Recipient”) consistent with the purposes of this Agreement and on the terms and conditions set forth in each Grant Agreement. 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 or administration arrangements between the Bank and the Donors. Upon request by a Donor, the Bank will furnish a copy of each Grant Agreement to the Donors.

4.2. The Bank will be responsible for the supervision of the activities financed under each Grant Agreement. Subject to the consent of the Recipient, 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, each Grant Agreement will provide that the Contributions will 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

¹ NB: This percentage does not cover Activities supervision/ implementation support costs, which would be financed out of the Trust Fund under Section A.2 of Annex 1. These costs will be charged as actual costs in accordance with the categories of expenditure specified in Section B.1 of Annex 1.

Employment of Consultants by World Bank Borrowers,” as in effect at the date of entry into the respective Grant Agreement.

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 Recipient pursuant to each Grant Agreement.

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 8.2, 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. The Contributions may be used retroactively to finance payments made on or after July 1, 2010 for eligible expenditures, in accordance with the Bank's policies and procedures.

8.2 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 Agreement after such date with the written approval of the Donors.

8.3 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 Agreement prior to the receipt of such notice, including any Grant Agreement.

8.4 Following the final disbursement date specified in paragraph 8.2, 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 8.3.

9. 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, Donors consent to disclosure of this Agreement and related information on this Trust Fund.