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 MIGA/M2006-0001

February 21, 2006

**For meeting of
 Board: Tuesday, February 28, 2006**

FROM: Vice President and Corporate Secretary

**Minutes of Joint Meeting of the Executive Directors of the Bank and IDA,
 and the Boards of Directors of IFC and MIGA
 held in the Board Room on Tuesday, January 17, 2006, at 10:05 a.m.**

1. There were present:

CHAIRMAN:

Graeme Wheeler, Acting Managing Director*

EXECUTIVE DIRECTORS AND ALTERNATES ACTING AS EXECUTIVE DIRECTORS:

S. Aass (Alternate)	Z.A. Khan (Alternate)
M. Aljazzaf	A. Kohler (Alternate)
A. Almofadhi (Alternate)	A. Melkert
B. Bossone	M. Nemli (Alternate)
J.K. Choi	Y. Okubo
E. Deutscher	K. Panov (Temporary Alternate)
S. Dib	J. Paul (Alternate)
S. Free (Temporary Alternate)	J. Quijandria
P. Gomes	C. Sergeant (Alternate)
A. Herrera (Temporary Alternate)	M. Sinamenye
Herwidayatmo	P. Veglio
R. Holland, III	J. Yang (Alternate)

ALTERNATES NOT ACTING AS EXECUTIVE DIRECTORS:

N. Arshad	T. O'Brien
J. Dorn	L.P. Ong Seng
A. Guadagni	S. Shah
N. Mota Pinto	

*by agreement of Executive Directors.

OFFICERS AND STAFF PARTICIPATING:

W.P. Ofosu-Amaah, Vice President and Corporate Secretary	S. Canagarajah, ECSPE
E. Adu, Deputy General Counsel, LEGVP	S. Cliffe, OPCFS
J. Adams, Vice President, OPCVP*	O. Le Ber, ECSIE
F. Khambata, Vice President, CPRVP	A. Nickesen, OPCVP
A. Dixon, Director, ECAVP	C. Petersen, ECCU3
D. Dowsett-Coirolo, Director, ECCU3	J.P. Prosper, CAFE1
S. Jorgensen, Director, SDV	T. Vis, MIGEP
A. Kuusela, Director, HRSVP	G. Yabrudy, AFMUG
J. O'Connor, Director, AFC04	J. Green, IMF
N. Tcheyan, Director, AFRVP	A. Walsh, Corporate Secretariat

*Via videoconference.

Low Income Countries Under Stress Implementation Trust Fund: Request for Replenishment and Special Support for Sudan

2. The Executive Directors considered the Memorandum of the President and report entitled "Low-Income Countries Under Stress Implementation Trust Fund: Request for Replenishment and Special Support for Sudan" (IDA/R2005-0253, dated December 22, 2005)" and the papers entitled "Low-Income Countries Under Stress: Update" (IDA/R2005-0251, dated December 19, 2005) and "Fragile States: Good Practices in Country Assistance Strategies" (IDA/R2005-0252, dated December 22, 2005).

3. The Executive Directors, with Mr. Holland opposing, approved the recommendations in paragraph 5 of the President's Memorandum, and adopted the resolution in Attachment A entitled "Amendment to the Trust Fund for Low-Income Countries Under Stress", and in Attachment D entitled "Terms and Conditions Applicable to the Bank's Contribution to the National Multi-Donor Trust Fund for Sudan and the Multi-Donor Trust Fund for Southern Sudan", both as attached to these minutes, and approved for transmittal to the Board of Governors the reports of the Executive Directors shown as Attachments B and E to the Memorandum, together with the draft resolutions attached thereto.

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

INTERNATIONAL DEVELOPMENT ASSOCIATION

RESOLUTION NO. 2006-0002
RESOLUTION NO. IDA 2006-0002

Amendment to the Trust Fund for Low-Income Countries Under Stress

WHEREAS:

- (A) the Trust Fund for Low-Income Countries Under Stress, TF053301, (the “Trust Fund”) was established by Resolution No. 2004-0001 and Resolution No. IDA 2004-0001 (the 2004 LICUS Resolution) of the Executive Directors of the International Bank for Reconstruction and Development (“IBRD”) and the Executive Directors of the International Development Association (“IDA” or “Association”) (IBRD and IDA collectively, the “Bank”) in order to promote the purposes of the Association and to improve the provision of grant funding by the Association for the benefit of low-income countries under stress (“LICUS”) that are member countries of the Association;
- (B) the Executive Directors of the IBRD and the Association (collectively, the “Executive Directors”) modified the 2004 LICUS Resolution by amending and restating it through Resolution No. 2005-0002 and Resolution No. IDA 2005-0001 adopted on March 18, 2005 (the March 2005 LICUS Resolution). This modification was to enable the Trust Fund to operate as a multi-donor trust fund allowing it to accept contributions from donors as well as transfers from surplus from the IBRD and to enable the Trust Fund to make contributions to Bank and non-Bank administered multi-donor trust funds as defined in paragraph of 5 of this Resolution;
- (C) the Executive Directors now desire to make further modifications and amendments to the March 2005 LICUS Resolution to clarify certain operational and governance issues, including with respect to contributions made from the Trust Fund to other multi-donor trust funds (“MDTFs”) and to expand the category of eligible recipients to consist of regional organizations and other public or private institutions acceptable to the Association as trustee of the Trust Fund (in such capacity, the “Trustee”);
- (D) the Association is prepared to perform the functions designated to it as set forth in this Resolution, subject to the approval of the Executive Directors;

NOW THEREFORE it is hereby resolved that the Trust Fund Resolution be amended and restated as follows:

1. The Trust Fund is hereby established as a trust fund of the Association, constituted of the funds which shall from time to time be contributed in accordance with the provisions of this Resolution, and any other assets and receipts of the Trust Fund. The Trust Fund is administered by the Trustee drawing on the approval system, documentation arrangements, and other procedures applicable to the Post-Conflict Fund set forth in R99-105 [IDA/R 99-114] and approved by the Executive Directors on June 11, 1999, and guidelines of the Post-Conflict Fund.

2. The Trustee is authorized to accept contributions to the Trust Fund from the IBRD in its capacity as a donor to the Trust Fund and from other donors (collectively, "Contribution Funds"). The Trustee shall enter into a Trust Fund Administration Agreement with each donor, other than the IBRD (the "Administration Agreement") in form and substance satisfactory to the Trustee, whereby each donor shall agree to pay its contribution to the Trust Fund in accordance with the terms of this Resolution. In order to assist the Trustee in defraying costs and expenses of administering the donor contribution, the Trustee shall deduct and retain, for its own account, from the donor contribution an amount equal to five percent (5%) of such contribution following the deposit of such funds. The Trustee shall not charge an administrative cost recovery fee on IBRD contributions to the Trust Fund. Contributions to the Trust Fund shall be denominated in United States Dollars or any other currencies acceptable to the Trustee, provided, however, that the Trustee shall, upon receipt, convert contributions made in currencies other than in United States Dollars into United States Dollars for the purposes of the Trust Fund.

3. The Trustee shall hold and administer all Contribution Funds, assets and receipts in trust for the benefit of the member countries of the Association that are LICUS and which are either: (1) in non-accrual status with the Bank; or (2) in active status with the Association, but where the Association's funds cannot be used easily or in a timely manner to support the objectives of the Trust Fund set forth in paragraph 6.1. The Trustee shall manage and use such Contribution Funds, assets and receipts only for the purposes of, and the provisions of this Resolution and, except as otherwise provided in this Resolution, in accordance with the policies and procedures of the Association, keeping them separate and apart from all other accounts and assets of the Association, but the Trustee may commingle them with other trust fund assets maintained by the Association. The Contribution Funds may, at any time, be freely exchanged by the Trustee into other currencies as may facilitate their administration and disbursement.

4. Payment of each contribution to the Trust Fund shall be made in accordance with the terms of the relevant Administration Agreement or, in the case of contributions from IBRD, in accordance with the relevant resolution of the IBRD's Board of Governors.

5. The Trustee is authorized to use the Contribution Funds to make grants directly from the Trust Fund and to make contributions from the Trust Fund to Bank and non-Bank administered MDTFs in accordance with the terms of this Resolution. All such grants and contributions shall be made subject to the approval of the LICUS Trust Fund Committee, a committee comprising representatives from various units within the Bank. "Bank administered MDTFs" shall refer to: (1) trust funds administered solely by IBRD or IDA; or (2) trust funds administered collectively by IBRD and IDA. "Non-Bank administered MDTFs" shall refer to trust funds administered by organizations or entities other than IBRD or IDA, either singly or collectively. Grants made from non-Bank administered MDTFs shall be subject to the provisions in paragraph 9.1.

6.1 All Contribution Funds credited to the Trust Fund and all grants and contributions made from the Trust Fund to: (1) eligible grant recipients as defined in paragraph 7.1; (2) Bank administered MDTFs; and (3) non-Bank administered MDTFs, shall be used to provide grants for activities which support the following broad objectives in countries described in paragraph 3:

- (i) supporting the implementation of early policy and institutional reform to improve performance (as defined in the PCPI and CPIA systems) and facilitate reengagement with the international community;

- (ii) developing resilient systems for social service delivery, including HIV/AIDS programs, that can continue to operate effectively and mobilize multi-donor support even in situations of political instability;
- (iii) developing harmonized multi-donor approaches that combine scarce resources behind a selective strategy for reform.

6.2 Examples of activities which the Trust Fund shall support may include but are not limited to the following: supporting dialogue among national stakeholders on economic, social and governance issues; promoting dialogue between national stakeholders and the donor community; technical assistance to design and implement basic civil service, public finance or judicial reforms; training for leadership and technical counterparts; data collection and analysis to support key reforms; information campaigns on key reform areas; preparation of capacity needs assessments; supporting reform of policies and institutions; demonstration service delivery projects; and establishing and equipping effective service delivery institutions.

7.1 In the case of grants made directly from the Trust Fund to eligible grant recipients, the Trustee shall enter into a grant agreement with each recipient setting forth the terms and conditions on which such grant shall be provided (“Grant Agreement”). Eligible grant recipients may include LICUS member countries and their agencies or instrumentalities, agencies or instrumentalities of the United Nations, regional organizations, non-governmental organizations and other public or private institutions acceptable to the Trustee. The Trustee shall be solely responsible for the supervision of activities financed under the Grant Agreements.

7.2 The Grant Agreements shall provide that the Contribution Funds will be used by the recipients to finance expenditures for goods and services as the case may be, in accordance with the World Bank’s Guidelines on “Procurement under IBRD Loans and IDA Credits” and the World Bank’s Guidelines on the “Selection and Employment of Consultants by World Bank Borrowers,” as in effect at the date of the Grant Agreements. Upon the written request of the grant recipient, the Bank may act as executing agency for the recipient in carrying out the activities to be financed by the grant. In such cases, categories of eligible operational expenditures would include: short term consultant fees, extended term consultant salaries and benefits; contractual services; travel expenses; media and workshop costs; and when the provisions of the Bank’s operational policy on emergency recovery assistance apply, small contracts for start-up goods and works necessary to enable the recipient to undertake the execution of subsequent project activities. Proposed expenditures for small contracts for start-up goods and works in situations where the Bank’s operational policy on emergency recovery assistance does not apply shall be presented for approval to an internal review committee.

7.3 The Trustee shall promptly inform the donors of any significant modification to the Grant Agreements and of any contractual remedy that is exercised by the Trustee under the Grant Agreements. To the extent practicable, the Trustee shall afford the donors the opportunity to exchange views before effecting any such modification or exercising any such remedy.

7.4 The Trustee shall provide the donors to the Trust Fund with copies of all financial statements and auditors’ reports received by the Association from recipients financed directly from the Trust Fund pursuant to the Grant Agreements. The Trustee shall furnish a copy of each Grant Agreement to the donors.

8. Contributions from the Trust Fund to Bank administered MDTFs shall be managed in accordance with the applicable requirements of such MDTF; provided that in consideration of the administrative fees already paid to the Trustee by the donors as set forth in paragraph 2, the Bank may in appropriate cases adjust as necessary the second administrative fee applied to donors for contributions from the Trust Fund to Bank administered MDTFs. Grants provided under Bank administered MDTFs shall be disbursed in accordance with the applicable requirements of such MDTF.

9.1 For contributions from the Trust Fund to non-Bank administered MDTFs, the Trustee shall enter into appropriate legal agreements with the trustee or administrator of such MDTF. Contributions to such MDTF and grants administered from such MDTF shall be managed in accordance with the applicable requirements of such MDTF. Any administrative cost recovery fees charged by such MDTFs shall be applicable to the Contribution Funds transferred to such MDTFs. The selection and recruitment of consultants, and the procurement and financing of expenditures for goods, services and other items of expenditure under the grant agreement shall be done in accordance with the applicable procedures of the MDTF.

9.2 In cases where a non-Bank administered MDTF finances activities eligible under the Trust Fund as well as activities that are not eligible for Bank financing, contributions to such non-Bank administered MDTFs shall be subject to the approval of the Executive Directors.

10. The Trustee shall establish and maintain appropriate records and accounts to identify the resources of the Trust Fund, commitments financed out of the Trust Fund, including contributions made to Bank and non-Bank administered MDTFs, and the receipts and disbursements of Contribution Funds in the Trust Fund. Except as set forth in paragraphs 13.1 and 13.2, the Trustee shall not be responsible for the use or reporting of funds, or for providing financial statements of Bank and non-Bank administered MDTFs to which contributions are made from the Trust Fund. The Trustee, upon request by any donor, will forward to such donor all reports it receives from Bank and non-Bank administered MDTFs.

11. Pending the disbursement of Contribution Funds from the Trust Fund, the Trustee shall invest the Contribution Funds held in the Trust Fund in such manner as the Trustee may decide, in accordance with the criteria for the investment of trust funds administered by the Association. All the income from such investment shall be credited to, and used exclusively for the purposes of, the Trust Fund.

12. On the final disbursement date of the Trust Fund pursuant to paragraph 14.1 of this Resolution, except as the Trustee and the donor may otherwise agree in each respective Administration Agreement, undisbursed funds of the Trust Fund shall be forthwith transferred to the Association.

13.1 Within ninety (90) days of each March 31, June 30, September 30 and December 31, the Trustee shall furnish to the donors an unaudited cash-based statement of receipts, disbursements and fund balance in United States dollars with respect to the Contribution Funds.

13.2 In addition to reporting obligations in paragraph 13.1, the Trustee shall, as soon as practical after the end of each fiscal year of the Bank, furnish to the donors: (1) a report on the activities directly financed from the Trust Fund, including the sum of aggregate contributions to both Bank and non-Bank administered MDTFs and a brief summary of activities supported by

such MDTFs; and (2) an unaudited cash-based statement of receipts, disbursement and fund balance produced at the aggregate level for the Trust Fund accompanied by a management assertion and an attestation from the Association's external auditors concerning the adequacy of internal control over cash-based financial reporting for trust funds as a whole. The cost of such attestations shall be paid by the Trustee.

13.3 If a donor wishes to request, on an exceptional basis, a financial statement audit by the Association's external auditors of the Trust Fund, the donor shall consult the Association as to whether such an external audit is necessary. The Association and the donor shall agree on the most appropriate scope and terms of reference. Following agreement on the scope and terms of reference, the Association shall arrange for such external audit. The costs of any such audit, including the internal costs of the Association with respect to such audit, shall be paid by the donor.

14.1 It is expected that the Contribution Funds will be fully disbursed by the Trustee in accordance with the provisions of this Resolution by December 31, 2010. After such date Contribution Funds shall be disbursed only with the written approval of all donors to the Trust Fund. Within six (6) months from the final disbursement date specified above, the Trustee shall furnish to the donors to the Trust Fund an unaudited cash-based statement of receipts, disbursements and fund balance in United States dollars with respect to the Contribution Funds.

14.2 Any donor to the Trust Fund or the Trustee 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 Contribution Funds that is not committed pursuant to any agreements entered into between the Trustee and any consultants and/or other third parties for the purposes of this Resolution, including the Grant Agreements, prior to the receipt of such notice.

15. The Trustee shall be responsible only for performing those functions specifically set forth in this Resolution. The Trustee shall not be subject to any other duties or responsibilities to the donors to the Trust Fund, including without limitation, any duties or obligations that might otherwise apply to a fiduciary or trustee under general principles of trust or fiduciary law. The privileges and immunities accorded to the Association shall apply to the property, assets, archives, operations and transactions of the Trust Fund.

16. This Resolution will enter into effect on the date of its adoption by the Executive Directors.

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

INTERNATIONAL DEVELOPMENT ASSOCIATION

RESOLUTION NO. 2006-0001
RESOLUTION NO. IDA 2006-0001

**Terms and Conditions Applicable to the Bank's Contribution to the
National Multi-Donor Trust Fund for Sudan and the
Multi-Donor Trust Fund for Southern Sudan**

WHEREAS:

- (A) The Executive Directors of the International Bank for Reconstruction and Development (the "Bank") and the Executive Directors of the International Development Association (the "Association") (collectively, the "Executive Directors") approved the Association's role as Administrator of the National Multi-Donor Trust Fund for Sudan, TF054724, (MDTF-NS) and the Multi-Donor Trust Fund for Southern Sudan, TF054723, (MDTF-SS) (collectively, "Sudan MDTFs") and as a member of the Oversight Committee which exercises the programmatic and allocational responsibility for Sudan MDTFs operations on April 6, 2005;
- (B) The main objective of the Sudan MDTFs is to provide a vehicle for donors to pool resources and coordinate support to fund the overall reconstruction and development needs of Sudan during the Interim Period as reflected in the Bank/UN-led Joint Assessment Mission's report, "Framework for Sustained Peace, Development and Poverty Eradication." The effective harmonization of resources can lead to a simplification of external financing flows and facilitate aid management in a high demand capacity constrained environment. The Executive Directors agree that it is desirable to promote the above purpose of the Sudan MDTFs;
- (C) The Executive Directors have proposed to the Board of Governors of the Bank to adopt a resolution authorizing the transfer from surplus for a contribution to be equally divided between the Sudan MDTFs;
- (D) The Executive Directors wish to adopt this Resolution to set forth the terms and conditions under which the Bank's contribution is to be administered by the Association, in its role as Administrator of the Sudan MDTFs;

NOW THEREFORE it is hereby resolved that:

1. The Bank's contribution provided to each of the MDTF-NS and the MDTF-SS shall be administered by the Association (in such capacity "Administrator") subject to the terms and conditions set forth in the Standard Provisions applicable to all contributions to such trust funds ("Standard Provisions"), except as otherwise provided for in this Resolution. In addition, the Bank's contribution shall be used to finance certain activities and categories of expenditure applicable to such contributions as set forth in the Description of Activities and Expenditures of each trust fund ("Description of Activities and Expenditures"). Copies of the Standard Provisions and the Description of Activities and Expenditures are attached hereto;

2. For clarification purposes, all references in the Standard Provisions to “Contributions” or “Contribution funds” shall include the proceeds of the Bank’s contribution which shall be administered in the same manner as the “Contribution funds” or “Contributions” are administered in the Standard Provisions, and wherein those provisions it refers to the “Donor(s)”, such “Donor(s)” shall include the Bank in its capacity as a donor to the MDTF-NS and the MDTF-SS;
3. The following sets forth exceptions to the Standard Provisions with respect to the Bank’s contribution and to the Administrator’s obligations to the Bank in its capacity as a donor to the MDTF-NS and MDTF-SS;
 - (a) The first sentence of paragraph 6 of the Standard Provisions on “Administrative Cost Recovery” shall be inapplicable to the Bank’s contribution;
 - (b) Paragraph 11.3 on “Refund” and paragraph 13.2 on “Termination” of the Standard Provisions shall be amended to provide that the portion of undisbursed Contribution funds pertaining to the Bank’s pro rata share in respect of the Bank’s contribution shall be returned to the Association.

Standard Provisions Applicable to the MDTF-NS

The following provisions (hereinafter referred to as the “Standard Provisions”) will be applicable to and form an integral part of all agreements entered into between the International Development Association (“IDA”) and donor countries and/or organizations (hereinafter referred to as the “Donors”) that provide grants (referred to as the “Contributions”) to be administered by IDA for the MDTF-NS for the Sustained Peace, Development and Poverty Eradication Program in Sudan (the “Program”).

1. Definitions

Unless the context otherwise requires, the several terms defined in the Letter Arrangement and in paragraph 1 above have the respective meanings therein set forth, and the following additional terms and expressions have the following meanings:

- (a) “Interim Constitution” means the constitution to be adopted pursuant to the Comprehensive Peace Agreement of January 9, 2005;
- (b) “NG” means, collectively, the National Government of Sudan established and operating under the Interim Constitution and/or any successor thereto;
- (c) “GoSS” means, collectively, the Government of Southern Sudan established and operating under the Interim Constitution, and/or any successor thereto;
- (d) “Category” means any of the categories of expenditures set forth in the table in paragraph C of Annex 1;
- (e) “Oversight Committee” means the committee responsible, inter alia, for allocating resources and overseeing the activities of the MDTF-NS whose responsibilities are described in paragraph 2 (b) of this Annex;
- (f) “Program” means the program of actions, objectives and policies set out in the Framework for Sustained Peace, Development and Poverty Eradication Program as set out in the Joint Assessment Mission report of March 18, 2005;
- (g) “Program Activity” means activities contained in the Program, the purpose of which will be to meet a recognized reconstruction or development objective that will have been approved by the Oversight Committee. Such activities may include, without limitation, activities in the areas of: (i) institutional development and capacity building; (ii) rule of law and governance; (iii) economic policy and management; (iv) productive sectors (i.e. rural and private sector development); (v) basic social services (health, education, water and sanitation); (vi) infrastructure; (vii) livelihoods and social protection; and (viii) information/statistics. In addition, cross-cutting activities such as HIV/AIDS, gender, conflict prevention, and the environment will also be eligible for financing;
- (h) “Grant” means a grant made or proposed to be made by IDA, out of the Contributions allocated to Category (1), herewith to any public or private entity, or a United Nations Agency to carry out a Program Activity;
- (i) “Grant Recipient” means a public or private entity, or a United Nations Agency to which

IDA proposes to make, or has made, a Grant;

(j) “Grant Agreement” means an agreement entered into, or proposed to be entered into, between IDA and a Grant Recipient;

(k) “Interim Period” means the six-year period following the establishment of the National Government and the Government of Southern Sudan;

(l) “Donors Group” means the group of donors contributing to the MDTF-NS as specified in the Implementation Modalities of the Framework for Wealth Sharing of January 7, 2005;

(m) “JNTT” means the Joint National Transition Team established pursuant to the Implementation Modalities of the Framework for Wealth Sharing of January 7, 2005;

(n) “Recurrent Expenditures” means those recurrent expenditures set forth in the budget of the NG, whose eligibility for financing hereunder will have been determined by the Oversight Committee, relating to wages, benefits and other payments for civil servants, pension payments, and operation and maintenance costs, but excluding military and paramilitary expenditures;

(o) “MDTF-SS” means the Multi-Donor Trust Fund to be established for Southern Sudan; and

(p) “SPLM” means the Sudanese People’s Liberation Movement, a signatory of the Comprehensive Peace Agreement.

2. Governance Structure of the MDTF-NS

The MDTF-NS will have the following three-tier governance structure:

(a) IDA will be the administrator of the MDTF-NS. In this capacity, IDA will establish and maintain appropriate records and accounts to identify the contributions to the MDTF-NS, the commitments to be financed out of the Contributions and the receipt and disbursement of Contributions. For this purpose, IDA will establish a Technical Secretariat (TS) which would receive and review proposals and make recommendations to the Oversight Committee regarding allocation of resources. The TS will report and present regular assessments against agreed benchmarks to the Oversight Committee. The TS will, on a quarterly basis, prepare and submit to the Oversight Committee a report which will describe in detail the operations of the MDTF-NS, including the receipt and use of Contributions and the activities financed therefrom. IDA will also be responsible for supervising the performance of the Monitoring Agent.

(b) The Oversight Committee (OC) will be responsible for overseeing and supervising the performance of TS. The OC will be responsible for: (i) resource allocation decisions with respect to the Contributions; (ii) proactively soliciting proposals for MDTF-NS financing to balance priority activities with available funding; (iii) providing general guidance for MDTF-NS operations; (iv) reviewing results on the ground and major issues relating to the MDTF-NS operations; (v) ensuring the integrity, competition, and the equity of allocation of implementation responsibilities to different entities consistent with the overall objectives of the MDTF-NS; and (vi) serving as a forum for dialogue and coordination. In addition, the OC would provide guidance on all other matters that affect the efficiency, effectiveness, and economic and financial sustainability of the MDTF-NS. The OC will delegate to TS the resource allocation authority for proposals below a threshold it may determine. The Oversight Committee will, on a regular basis, meet either in Khartoum, or in such other location as it may decide from time to time, or by teleconference. The OC will act collectively and, to the extent practicable, make decisions by

consensus.

(c) Prior to the establishment of the Oversight Committee, an Interim Oversight Committee will be established to be responsible for: (i) determining the composition of the Oversight Committee; (ii) providing general guidance for the preparation of MDTF-NS operations; (iii) resource allocation decisions with respect to the Contributions; (iv) proactively soliciting proposals for MDTF-NS financing to balance priority activities with available funding; (v) providing general guidance for MDTF-NS operations; (vi) ensuring the integrity, competition, and the equity of allocation of implementation responsibilities to different entities consistent with the overall objectives of the MDTF-NS; and (vii) serving as a forum for dialogue and coordination. The membership of the Interim Oversight Committee will consist of: (i) a representative of IDA; (ii) a representative of the United Nations; (iii) the co-chair for the National Government of the Joint National Transition Team established pursuant to the Implementation Modalities of the Framework for Wealth Sharing of January 7, 2005, (the other co-chair will attend as observer); and (iv) a representative of each of the four single largest donors in terms of combined contributions to both the MDTF-NS and the MDTF-SS.

(d) The Sudan Consortium, whose membership will consist of all donors, NG, GoSS, and representatives of civil society and private sector, will be a forum for consultations twice a year on social and economic development, as well as for renewing of donor pledges. In addition, a Donors Group including all contributing donors to the MDTF-NS will meet separately in advance of the Consortium meetings, or any such time as they may determine, for consultations amongst contributing donors on issues of interest to the functioning of the MDTF-NS.

3. Monitoring Agent

(a) IDA will engage the Monitoring Agent to monitor expenditures related to the activities financed under the MDTF-NS. The Monitoring Agent will be selected and retained by IDA. The responsibilities of the Monitoring Agent will include monitoring the procurement of goods, services and other items, screening and recommending withdrawal applications for IDA's approval and payment, monitoring all expenditures financed by the Contributions, and pre-screening the financial management capacity of potential Grant Recipients so as to ensure that Contributions are disbursed only for the purposes specified in paragraph C of Annex 1 and according to applicable IDA procedures. To the extent possible, the Monitoring Agent will also proactively seek to strengthen local capacity with respect to the areas of responsibility listed above. However, the role of the Monitoring Agent with respect to expenditures related to activities financed under Grants to United Nations Agencies will be specified in separate arrangements to be entered into between IDA and the concerned United Nations Agency.

(b) The Monitoring Agent will report to IDA. Subject to the approval of the OC, IDA will have the authority to change the terms of reference/scope of work of the Monitoring Agent and, where justified, to replace the Monitoring Agent with another firm or agency. IDA will perform ex-post evaluations of the activities undertaken by the Monitoring Agent, and will, upon completion of the activities financed under the MDTF-NS, arrange for an independent review of the performance of the Monitoring Agent and report its findings to the Donors. Upon request, IDA will make available to donors copies of reports received from the Monitoring Agent.

(c) The Contributions may be used by IDA to: (a) pay the reasonable fees, travel and other reimbursable costs of the Monitoring Agent; and (b) pay the cost of goods, services and other items of expenditure in furtherance of the MDTF-NS activities, all in accordance with the provisions of the Letter Arrangement and this Annex.

(d) The selection and recruitment of the Monitoring Agent by IDA, and the procurement of goods, services and other items by the Monitoring Agent, and services to be financed under Category (2)

will be made in accordance with IDA's "Guidelines for Procurement under IBRD Loans and IDA Credits" and the "Guidelines for the Use of Consultants by World Bank Borrowers and by the World Bank as Executing Agency".

4. Administration of the Contributions

IDA 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 IDA under its Articles of Agreement or any applicable law, all of which are expressly reserved.

5. Commingling, Exchange and Investment of the Contributions

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

5.2. The Contribution funds may be freely exchanged by IDA into other currencies as may facilitate their disbursement.

5.3 IDA will invest and reinvest the Contribution funds pending their disbursement in accordance with IDA's policies and procedures for the investment of trust funds administered by IDA. IDA will credit all income from such investment to the trust fund established under this Arrangement to be used for the same purposes as the Contribution funds.

6. Administrative Cost Recovery

In order to assist in the defrayment of its administrative costs, IDA may deduct from the Contributions and transfer to itself an amount equal to 0.4 percent (0.4%) of the Contributions to cover IDA's internal overhead costs for the administration of the MDTF-NS. In addition, IDA will charge to the MDTF-NS the actual costs for: (i) the Monitoring Agent and its evaluation; (ii) managing the Technical Secretariat (TS) identified in paragraph 2 (a) above; (iii) supporting the Oversight Committee identified in paragraph 2 (b) above; (iv) carrying out external audits as specified in paragraph 9.4 below; and (v) appraisal and supervision of projects. IDA will provide quarterly reports to the Oversight Committee on costs incurred for the administration of the MDTF-NS.

7. Grants to Recipients

7.1. IDA will, as administrator on behalf of the Donors, enter into grant agreements (the "Grant Agreements") with one or more entities (the "Recipients") for the provision of Contribution funds for the purposes of this Arrangement and on the terms and conditions set forth in the Grant Agreements, which will include, inter alia, the terms and conditions set forth in subparagraph 7.2 below. IDA will furnish a copy of the Grant Agreements to the Donor[s], upon request.

7.2. Terms and Conditions Governing Grants Under Category (1):

(a) Except as provided in paragraph (b) below, responsibility for the accounting and administration of Funds made available by IDA to Grant Recipients will be decided upon on a case-by-case basis by the Oversight Committee, considering, inter alia, the recommendations made by the

Technical Secretariat. Accordingly, the Oversight Committee will review proposals to carry out activities eligible for financing under Category (1), and award Grants in connection with proposals deemed by the Oversight Committee to be suitable for financing, and supportive of the Framework. For those proposals that do not include an appraisal of the Investment Project sought to be financed, the TS will carry out the appraisal of the Investment Project. The representative of a member organization of the Oversight Committee will recuse him/herself from deliberations over the suitability of proposal(s) submitted or co-financed by the organization that he or she directly represents.

(b) Grants will be used to finance expenditures for goods, works and services, as the case may be, in accordance with IDA's "Guidelines for Procurement under IBRD Loans and IDA Credits" and the "Guidelines for the Use of Consultants by World Bank Borrowers and by the World Bank as Executing Agency", as in effect at the date of the relevant Grant Agreement (hereinafter collectively referred to as the "Bank's Guidelines"). Any departure from the Bank's Guidelines will have to be pre-approved by IDA. However, goods, works and services to be financed under Grants made available to United Nations Agencies may be procured under the rules and procedures of such agencies.

(c) The arrangements for a Program Activity to be financed under Category (1) will be carried out in accordance with the guidelines and procedures specified in paragraph 7.2 (f), including, but not limited to, an environmental and social screening and assessment framework approved by IDA. Any departure from the guidelines contained in said framework will have to be pre-approved by IDA.

(d) As required under IDA operations, a Grant Agreement will obligate a Grant Recipient, among other things, to maintain an appropriate and adequate financial management system, including records and accounts, and prepare financial statements adequate to separately reflect the operations, resources and expenditures related to the Program Activity financed under the Grant. In addition, the above-mentioned records, accounts and financial statements will be audited, in accordance with auditing standards acceptable to IDA, by independent auditors acceptable to IDA. For Grants made available to UN Agencies, IDA and the United Nations may agree on an alternative satisfactory financial management framework. As per IDA standard policies, Grant Agreements will include provisions allowing IDA to cancel the Grant, or a portion thereof, if it determines that corrupt, fraudulent, collusive or coercive practices were engaged in by representatives of the Recipient, or of a beneficiary, with respect to any contract financed, or to be financed, out the proceeds of the Grant.

(e) Notwithstanding the provisions of sub-paragraph (a) above, Program Activities in the area of law and order may only be carried out by the United Nations Development Program (UNDP). Grants to finance said activities will be made in accordance with terms and conditions acceptable to IDA. UNDP, IDA and the Oversight Committee will agree on detailed procedures including procurement, disbursements and audits.

(f) Program Activities to be financed under a Grant will be implemented in accordance with an Implementation Manual in form and substance acceptable to IDA, setting out detailed schedules, plans and administrative, financial, reporting and organizational arrangements for the implementation of the Program Activity. However, Program Activities to be financed under Grants made available to United Nations Agencies may be implemented in accordance with procedures of said Agencies.

7.3. IDA will be solely responsible for the supervision of Project activities financed under the Grant Agreements.

8. Employment of Consultants and Procurement of Goods for IDA-executed Activities

For IDA-executed activities financed under Category (2) in paragraph C of Annex 1, the employment and supervision of consultants and the procurement of goods financed by the Contributions will be the responsibility solely of IDA and will be carried out in accordance with its applicable policies and procedures.

9. Accounting and Financial Reporting

9.1. IDA will maintain separate records and ledger accounts in respect of the Contributions deposited in the trust fund account and disbursements made therefrom.

9.2. Within ninety (90) days of each March 31, June 30, September 30 and December 31, IDA will furnish to the Donors an un-audited cash-based Statement of Receipts, Disbursements and Fund Balance in United States Dollars with respect to the Contributions. Within six (6) months of the final disbursement date specified in paragraph 11.1, for IDA-executed activities, or after all commitments and liabilities under this trust fund have been satisfied and the trust fund has been closed, for Recipient-executed activities, IDA will furnish to the Donors a final un-audited cash-based Statement of Receipts, Disbursements and Fund Balance in United States dollars with respect to the Contribution funds.

9.3. IDA will provide to the Donors, within six (6) months following the end of each IDA fiscal year, a management assertion together with an attestation from IDA's external auditors concerning the adequacy of internal control over cash-based financial reporting for trust funds as a whole. The cost of such attestations will be borne by IDA.

9.4. IDA will cause a financial statement audit of the MDTF-NS to be performed by IDA's external auditors on a bi-annual basis. In the event that the trust fund is scheduled to close within a year of the normally scheduled audit, the audit will be deferred until the closing of the trust fund. The costs of such an audit, including the internal costs of IDA with respect to such an audit, will be charged to the MDTF-NS. IDA will provide the Contributors with a copy of the auditors' report. In the event that there are insufficient funds in the trust fund to pay for such an audit, the IDA will bill each Donor its pro-rata share of the shortfall, based on the share of the Donor's contribution to the total contribution from all donors.

9.5. If a Donor wishes to request, on an exceptional basis, a financial statement audit by IDA's external auditors of the trust fund established under this Arrangement, the Donor and IDA will first consult as to whether such an external audit is necessary. IDA and the Donor will agree on the most appropriate scope and terms of reference of such audit. Following agreement on the scope and terms of reference, IDA will arrange for such external audit. The costs of any such audit, including the internal costs of IDA with respect to such audit, will be paid by the Donor.

10. Coordination and Project Reporting

10.1. IDA 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 11.1, IDA will furnish to the Donors a final report on the Project activities.

10.2. IDA will promptly inform the Donors of any significant modification to the terms of the Grant Agreements and of any contractual remedy that is exercised by IDA under the Grant Agreements. To the extent practicable, IDA will afford the Donors the opportunity to exchange views before effecting any such modification or exercising any such remedy.

11. Disbursement Deadline; Cancellation; Refund

11.1. It is expected that the Contribution funds will be fully disbursed by IDA in accordance with the provisions of this Arrangement by December 30, 2011. IDA will only disburse Contribution funds for the purposes of this Arrangement after such date with the written approval of all the Donors.

11.2. Any Donor or IDA may, upon three (3) months' prior written notice, cancel all or part of the Donor's pro rata share of any remaining balance of their paid-in contribution to the total paid-in Contribution funds that is not committed pursuant to any agreements entered into between IDA 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.

11.3. Upon the final disbursement date specified in paragraph 11.1 above, IDA will return any remaining balance of the Contribution funds to the Donors on a pro rata basis. In the event of a cancellation of an individual Donor's pro rata share of uncommitted Contribution funds in accordance with paragraph 11.2 above, IDA will return such cancelled balance to the Donor.

12. Disclosure

IDA may disclose this Arrangement and information on this trust fund in accordance with IDA's policy on disclosure of information.

13. Termination

13.1. Unless otherwise agreed by the Donors and IDA, the MDTF-NS arrangements provided for under the Letter Arrangement and this Annex will terminate on the earlier of: (i) December 30, 2011; or (ii) such date as the TF Funds will have been fully disbursed. The MDTF-NS arrangements may be terminated, by agreement between the Donors and IDA, if at any time IDA determines that a situation shall have arisen, which shall make it improbable that the Program or a significant part thereof will be carried out.

13.2. Upon termination, unless otherwise agreed by the Donors and IDA: (i) any agreement entered into among IDA, the Monitoring Agent, and/or other third parties will not be affected by the termination, and IDA will be entitled to continue permitting withdrawals of TF Funds in respect of such agreements as if this arrangement had not been so terminated; and (ii) any remaining Contributions will be returned to the Donors on a pro-rata basis, and IDA's functions pursuant hereto will be considered terminated. Within six (6) months following such termination, IDA will furnish to the Donors an Unaudited Statement of Receipts, Disbursements and Fund Balance with respect to the aggregate amount contributed by all Donors.

Description of Activities and Expenditures under the MDTF-NS

A. Objectives and Scope

The objective of the MDTF-NS is to provide a vehicle for donors to pool resources and coordinate support to fund the overall reconstruction and development needs of Sudan during the Interim Period. The focus will be on recovery and longer-term development activities to support Sudan's reaching of the Millennium Development Goals.

B. Activities

The Activities to be supported by the MDTF-NS are part of the overall reconstruction and development program that have been laid out in the Program, and could include: (i) institutional development and capacity building; (ii) rule of law and governance; (iii) economic policy and management; (iv) productive sectors (i.e. rural and private sector development); (v) basic social services (health, education, water and sanitation); (vi) infrastructure; (vii) livelihoods and social protection; and (viii) information/statistics. In addition, cross-cutting activities such as HIV/AIDS, gender, conflict prevention, and the environment will also be eligible for financing.

C. Categories of Expenditure

The categories of expenditure that are eligible for financing from the MDTF-NS, together with the percentages of expenditures to be financed, are as follows:

<u>Category</u>	<u>Percentage of Expenditures to be Financed</u> ^{15/}
(1) Grants for Investment Projects:	100%
(2) Expenditures for IDA-Executed activities, including:	100%
Contractual Services	
Consultant Fees	
Travel Expenses	
Staff Costs (salary and benefits)	
Equipment	
Media and workshop costs	
Associated Overheads	
(3) Recurrent expenditures	100%

^{15/} Excluding taxes and duties.

Standard Provisions Applicable to the MDTF-SS

The following provisions (hereinafter referred to as the “Standard Provisions”) will be applicable to and form an integral part of all agreements entered into between the International Development Association (“IDA”) and donor countries and/or organizations (hereinafter referred to as the “Donors”) that provide grants (referred to as the “Contributions”) to be administered by IDA for the MDTF-SS for the Sustained Peace, Development and Poverty Eradication Program in Sudan (the “Program”).

1. Definitions

Unless the context otherwise requires, the several terms defined in the Letter Arrangement and in paragraph 1 above have the respective meanings therein set forth, and the following additional terms and expressions have the following meanings:

- (a) “Interim Constitution” means the constitution to be adopted pursuant to the Comprehensive Peace Agreement of January 9, 2005;
- (b) “NG” means, collectively, the National Government of Sudan established and operating under the Interim Constitution and/or any successor thereto;
- (c) “GoSS” means, collectively, the Government of Southern Sudan established and operating under the Interim Constitution, and/or any successor thereto;
- (d) “Category” means any of the categories of expenditures set forth in the table in paragraph C of Annex 1;
- (e) “Oversight Committee” means the committee responsible, inter alia, for allocating resources and overseeing the activities of the MDTF-SS whose responsibilities are described in paragraph 2 (b) of this Annex;
- (f) “Program” means the program of actions, objectives and policies set out in the Framework for Sustained Peace, Development and Poverty Eradication Program as set out in the Joint Assessment Mission report of March 18, 2005;
- (g) “Program Activity” means activities contained in the Program, the purpose of which will be to meet a recognized reconstruction or development objective that will have been approved by the Oversight Committee. Such activities may include, without limitation, activities in the areas of: (i) institutional development and capacity building; (ii) rule of law and governance; (iii) economic policy and management; (iv) productive sectors (i.e. rural and private sector development); (v) basic social services (health, education, water and sanitation); (vi) infrastructure; (vii) livelihoods and social protection; and (viii) information/statistics. In addition, cross-cutting activities such as HIV/AIDS, gender, conflict prevention, and the environment will also be eligible for financing;
- (h) “Grant” means a grant made or proposed to be made by IDA, out of the Contributions allocated to Category (1), herewith to any public or private entity, or a United Nations Agency to carry out a Program Activity;
- (i) “Grant Recipient” means a public or private entity, or a United Nations Agency to which IDA proposes to make, or has made, a Grant;

(j) “Grant Agreement” means an agreement entered into, or proposed to be entered into, between IDA and a Grant Recipient;

(k) “Interim Period” means the six-year period following the establishment of the National Government and the Government of Southern Sudan;

(l) “Donors Group” means the group of donors contributing to the MDTF-SS as specified in the Implementation Modalities of the Framework for Wealth Sharing of January 7, 2005;

(m) “JNTT” means the Joint National Transition Team established pursuant to the Implementation Modalities of the Framework for Wealth Sharing of January 7, 2005;

(n) “Recurrent Expenditures” means those recurrent expenditures set forth in the budget of the NG, whose eligibility for financing hereunder will have been determined by the Oversight Committee, relating to wages, benefits and other payments for civil servants, pension payments, and operation and maintenance costs, but excluding military and paramilitary expenditures;

(o) “MDTF-SS” means the Multi-Donor Trust Fund to be established for Southern Sudan; and

(p) “SPLM” means the Sudanese People’s Liberation Movement, a signatory of the Comprehensive Peace Agreement.

2. Governance Structure of the MDTF-SS

The MDTF-SS will have the following three-tier governance structure:

(a) IDA will be the administrator of the MDTF-SS. In this capacity, IDA will establish and maintain appropriate records and accounts to identify the contributions to the MDTF-SS, the commitments to be financed out of the Contributions and the receipt and disbursement of Contributions. For this purpose, IDA will establish a Technical Secretariat (TS) which would receive and review proposals and make recommendations to the Oversight Committee regarding allocation of resources. The TS will report and present regular assessments against agreed benchmarks to the Oversight Committee. The TS will, on a quarterly basis, prepare and submit to the Oversight Committee a report which will describe in detail the operations of the MDTF-SS, including the receipt and use of Contributions and the activities financed therefrom. IDA will also be responsible for supervising the performance of the Monitoring Agent.

(b) The Oversight Committee (OC) will be responsible for overseeing and supervising the performance of TS. The OC will be responsible for: (i) resource allocation decisions with respect to the Contributions; (ii) proactively soliciting proposals for MDTF-SS financing to balance priority activities with available funding; (iii) providing general guidance for MDTF-SS operations; (iv) reviewing results on the ground and major issues relating to the MDTF-SS operations; (v) ensuring the integrity, competition, and the equity of allocation of implementation responsibilities to different entities consistent with the overall objectives of the MDTF-SS; and (vi) serving as a forum for dialogue and coordination. In addition, the OC would provide guidance on all other matters that affect the efficiency, effectiveness, and economic and financial sustainability of the MDTF-SS. The OC will delegate to TS the resource allocation authority for proposals below a threshold it may determine. The Oversight Committee will, on a regular basis, meet either in Khartoum, or in such other location as it may decide from time to time, or by teleconference. The OC will act collectively and, to the extent practicable, make decisions by

consensus.

(c) Prior to the establishment of the Oversight Committee, an Interim Oversight Committee will be established to be responsible for: (i) determining the composition of the Oversight Committee; (ii) providing general guidance for the preparation of MDTF-SS operations; (iii) resource allocation decisions with respect to the Contributions; (iv) proactively soliciting proposals for MDTF-SS financing to balance priority activities with available funding; (v) providing general guidance for MDTF-SS operations; (vi) ensuring the integrity, competition, and the equity of allocation of implementation responsibilities to different entities consistent with the overall objectives of the MDTF-SS; and (vii) serving as a forum for dialogue and coordination. The membership of the Interim Oversight Committee will consist of: (i) a representative of IDA; (ii) a representative of the United Nations; (iii) the co-chair for the National Government of the Joint National Transition Team established pursuant to the Implementation Modalities of the Framework for Wealth Sharing of January 7, 2005, (the other co-chair will attend as observer); and (iv) a representative of each of the four single largest donors in terms of combined contributions to both the MDTF-SS and the MDTF-NS.

(d) The Sudan Consortium, whose membership will consist of all donors, NG, GoSS, and representatives of civil society and private sector, will be a forum for consultations twice a year on social and economic development, as well as for renewing of donor pledges. In addition, a Donors Group including all contributing donors to the MDTF-SS will meet separately in advance of the Consortium meetings, or any such time as they may determine, for consultations amongst contributing donors on issues of interest to the functioning of the MDTF-SS.

3. Monitoring Agent

(a) IDA will engage the Monitoring Agent to monitor expenditures related to the activities financed under the MDTF-SS. The Monitoring Agent will be selected and retained by IDA. The responsibilities of the Monitoring Agent will include monitoring the procurement of goods, services and other items, screening and recommending withdrawal applications for IDA's approval and payment, monitoring all expenditures financed by the Contributions, and pre-screening the financial management capacity of potential Grant Recipients so as to ensure that Contributions are disbursed only for the purposes specified in paragraph C of Annex 1 and according to applicable IDA procedures. To the extent possible, the Monitoring Agent will also proactively seek to strengthen local capacity with respect to the areas of responsibility listed above. However, the role of the Monitoring Agent with respect to expenditures related to activities financed under Grants to United Nations Agencies will be specified in separate arrangements to be entered into between IDA and the concerned United Nations Agency.

(b) The Monitoring Agent will report to IDA. Subject to the approval of the OC, IDA will have the authority to change the terms of reference/scope of work of the Monitoring Agent and, where justified, to replace the Monitoring Agent with another firm or agency. IDA will perform ex-post evaluations of the activities undertaken by the Monitoring Agent, and will, upon completion of the activities financed under the MDTF-SS, arrange for an independent review of the performance of the Monitoring Agent and report its findings to the Donors. Upon request, IDA will make available to donors copies of reports received from the Monitoring Agent.

(c) The Contributions may be used by IDA to: (a) pay the reasonable fees, travel and other reimbursable costs of the Monitoring Agent; and (b) pay the cost of goods, services and other items of expenditure in furtherance of the MDTF-SS activities, all in accordance with the provisions of the Letter Arrangement and this Annex.

(d) The selection and recruitment of the Monitoring Agent by IDA, and the procurement of goods, services and other items by the Monitoring Agent, and services to be financed under Category (2) will be made in accordance with IDA's "Guidelines for Procurement under IBRD Loans and IDA Credits" and the "Guidelines for the Use of Consultants by World Bank Borrowers and by the World Bank as Executing Agency".

4. Administration of the Contributions

IDA 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 IDA under its Articles of Agreement or any applicable law, all of which are expressly reserved.

5. Commingling, Exchange and Investment of the Contributions

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

5.2. The Contribution funds may be freely exchanged by IDA into other currencies as may facilitate their disbursement.

5.3 IDA will invest and reinvest the Contribution funds pending their disbursement in accordance with IDA's policies and procedures for the investment of trust funds administered by IDA. IDA will credit all income from such investment to the trust fund established under this Arrangement to be used for the same purposes as the Contribution funds.

6. Administrative Cost Recovery

In order to assist in the defrayment of its administrative costs, IDA may deduct from the Contributions and transfer to itself an amount equal to 0.4 percent (0.4%) of the Contributions to cover IDA's internal overhead costs for the administration of the MDTF-SS. In addition, IDA will charge to the MDTF-SS the actual costs for: (i) the Monitoring Agent and its evaluation; (ii) managing the Technical Secretariat (TS) identified in paragraph 2 (a) above; (iii) supporting the Oversight Committee identified in paragraph 2 (b) above; (iv) carrying out external audits as specified in paragraph 9.4 below; and (v) appraisal and supervision of projects. IDA will provide quarterly reports to the Oversight Committee on costs incurred for the administration of the MDTF-SS.

7. Grants to Recipients

7.1. IDA will, as administrator on behalf of the Donors, enter into grant agreements (the "Grant Agreements") with one or more entities (the "Recipients") for the provision of Contribution funds for the purposes of this Arrangement and on the terms and conditions set forth in the Grant Agreements, which will include, *inter alia*, the terms and conditions set forth in subparagraph 7.2 below. IDA will furnish a copy of the Grant Agreements to the Donor[s], upon request.

7.2. Terms and Conditions Governing Grants Under Category (1):

(a) Except as provided in paragraph (b) below, responsibility for the accounting and administration of Funds made available by IDA to Grant Recipients will be decided upon on a case-by-case basis by the Oversight Committee, considering, *inter alia*, the recommendations made by the Technical Secretariat. Accordingly, the Oversight Committee will review proposals to carry out activities eligible for financing under Category (1), and award Grants in connection with proposals deemed by the Oversight Committee to be suitable for financing, and supportive of the Framework. For those proposals that do not include an appraisal of the Investment Project sought to be financed, the TS will carry out the appraisal of the Investment Project. The representative of a member organization of the Oversight Committee will recuse him/herself from deliberations over the suitability of proposal(s) submitted or co-financed by the organization that he or she directly represents.

(b) Grants will be used to finance expenditures for goods, works and services, as the case may be, in accordance with IDA's "Guidelines for Procurement under IBRD Loans and IDA Credits" and the "Guidelines for the Use of Consultants by World Bank Borrowers and by the World Bank as Executing Agency", as in effect at the date of the relevant Grant Agreement (hereinafter collectively referred to as the "Bank's Guidelines"). Any departure from the Bank's Guidelines will have to be pre-approved by IDA. However, goods, works and services to be financed under Grants made available to United Nations Agencies may be procured under the rules and procedures of such agencies.

(c) The arrangements for a Program Activity to be financed under Category (1) will be carried out in accordance with the guidelines and procedures specified in paragraph 7.2 (f), including, but not limited to, an environmental and social screening and assessment framework approved by IDA. Any departure from the guidelines contained in said framework will have to be pre-approved by IDA.

(d) As required under IDA operations, a Grant Agreement will obligate a Grant Recipient, among other things, to maintain an appropriate and adequate financial management system, including records and accounts, and prepare financial statements adequate to separately reflect the operations, resources and expenditures related to the Program Activity financed under the Grant. In addition, the above-mentioned records, accounts and financial statements will be audited, in accordance with auditing standards acceptable to IDA, by independent auditors acceptable to IDA. For Grants made available to UN Agencies, IDA and the United Nations may agree on an alternative satisfactory financial management framework. As per IDA standard policies, Grant Agreements will include provisions allowing IDA to cancel the Grant, or a portion thereof, if it determines that corrupt, fraudulent, collusive or coercive practices were engaged in by representatives of the Recipient, or of a beneficiary, with respect to any contract financed, or to be financed, out the proceeds of the Grant.

(e) Notwithstanding the provisions of sub-paragraph (a) above, Program Activities in the area of law and order may only be carried out by the United Nations Development Program (UNDP). Grants to finance said activities will be made in accordance with terms and conditions acceptable to IDA. UNDP, IDA and the Oversight Committee will agree on detailed procedures including procurement, disbursements and audits.

(f) Program Activities to be financed under a Grant will be implemented in accordance with an Implementation Manual in form and substance acceptable to IDA, setting out detailed schedules, plans and administrative, financial, reporting and organizational arrangements for the implementation of the Program Activity. However, Program Activities to be financed under Grants made available to United Nations Agencies may be implemented in accordance with procedures of said Agencies.

7.3. IDA will be solely responsible for the supervision of Project activities financed under the Grant

Agreements.

8. Employment of Consultants and Procurement of Goods for IDA-executed Activities

For IDA-executed activities financed under Category (2) in paragraph C of Annex 1, the employment and supervision of consultants and the procurement of goods financed by the Contributions will be the responsibility solely of IDA and will be carried out in accordance with its applicable policies and procedures.

9. Accounting and Financial Reporting

9.1. IDA will maintain separate records and ledger accounts in respect of the Contributions deposited in the trust fund account and disbursements made therefrom.

9.2. Within ninety (90) days of each March 31, June 30, September 30 and December 31, IDA will furnish to the Donors an un-audited cash-based Statement of Receipts, Disbursements and Fund Balance in United States Dollars with respect to the Contributions. Within six (6) months of the final disbursement date specified in paragraph 11.1, for IDA-executed activities, or after all commitments and liabilities under this trust fund have been satisfied and the trust fund has been closed, for Recipient-executed activities, IDA will furnish to the Donors a final un-audited cash-based Statement of Receipts, Disbursements and Fund Balance in United States dollars with respect to the Contribution funds.

9.3. IDA will provide to the Donors, within six (6) months following the end of each IDA fiscal year, a management assertion together with an attestation from IDA's external auditors concerning the adequacy of internal control over cash-based financial reporting for trust funds as a whole. The cost of such attestations will be borne by IDA.

9.4. IDA will cause a financial statement audit of the MDTF-SS to be performed by IDA's external auditors on a bi-annual basis. In the event that the trust fund is scheduled to close within a year of the normally scheduled audit, the audit will be deferred until the closing of the trust fund. The costs of such an audit, including the internal costs of IDA with respect to such an audit, will be charged to the MDTF-SS. IDA will provide the Contributors with a copy of the auditors' report. In the event that there are insufficient funds in the trust fund to pay for such an audit, the IDA will bill each Donor its pro-rata share of the shortfall, based on the share of the Donor's contribution to the total contribution from all donors.

9.5. If a Donor wishes to request, on an exceptional basis, a financial statement audit by IDA's external auditors of the trust fund established under this Arrangement, the Donor and IDA will first consult as to whether such an external audit is necessary. IDA and the Donor will agree on the most appropriate scope and terms of reference of such audit. Following agreement on the scope and terms of reference, IDA will arrange for such external audit. The costs of any such audit, including the internal costs of IDA with respect to such audit, will be paid by the Donor.

10. Coordination and Project Reporting

10.1. IDA 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 11.1, IDA will furnish to the Donors a final report on the Project activities.

10.2. IDA will promptly inform the Donors of any significant modification to the terms of the Grant Agreements and of any contractual remedy that is exercised by IDA under the Grant Agreements.

To the extent practicable, IDA will afford the Donors the opportunity to exchange views before effecting any such modification or exercising any such remedy.

11. Disbursement Deadline; Cancellation; Refund

11.1. It is expected that the Contribution funds will be fully disbursed by IDA in accordance with the provisions of this Arrangement by December 30, 2011. IDA will only disburse Contribution funds for the purposes of this Arrangement after such date with the written approval of all the Donors.

11.2. Any Donor or IDA may, upon three (3) months' prior written notice, cancel all or part of the Donor's pro rata share of any remaining balance of their paid-in contribution to the total paid-in Contribution funds that is not committed pursuant to any agreements entered into between IDA 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.

11.3. Upon the final disbursement date specified in paragraph 11.1 above, IDA will return any remaining balance of the Contribution funds to the Donors on a pro rata basis. In the event of a cancellation of an individual Donor's pro rata share of uncommitted Contribution funds in accordance with paragraph 11.2 above, IDA will return such cancelled balance to the Donor.

12. Disclosure

IDA may disclose this Arrangement and information on this trust fund in accordance with IDA's policy on disclosure of information.

13. Termination

13.1. Unless otherwise agreed by the Donors and IDA, the MDTF-SS arrangements provided for under the Letter Arrangement and this Annex will terminate on the earlier of: (i) December 30, 2011; or (ii) such date as the TF Funds will have been fully disbursed. The MDTF-SS arrangements may be terminated, by agreement between the Donors and IDA, if at any time IDA determines that a situation shall have arisen, which shall make it improbable that the Program or a significant part thereof will be carried out.

13.2. Upon termination, unless otherwise agreed by the Donors and IDA: (i) any agreement entered into among IDA, the Monitoring Agent, and/or other third parties will not be affected by the termination, and IDA will be entitled to continue permitting withdrawals of TF Funds in respect of such agreements as if this arrangement had not been so terminated; and (ii) any remaining Contributions will be returned to the Donors on a pro-rata basis, and IDA's functions pursuant hereto will be considered terminated. Within six (6) months following such termination, IDA will furnish to the Donors an Unaudited Statement of Receipts, Disbursements and Fund Balance with respect to the aggregate amount contributed by all Donors.

Description of Activities and Expenditures under the MDTF-SS

A. Objectives and Scope

The objective of the MDTF-SS is to provide a vehicle for donors to pool resources and coordinate support to fund the overall reconstruction and development needs of Sudan during the Interim Period. The focus will be on recovery and longer-term development activities to support Sudan's reaching of the Millennium Development Goals.

B. Activities

The Activities to be supported by the MDTF-SS are part of the overall reconstruction and development program that have been laid out in the Program, and could include: (i) institutional development and capacity building; (ii) rule of law and governance; (iii) economic policy and management; (iv) productive sectors (i.e. rural and private sector development); (v) basic social services (health, education, water and sanitation); (vi) infrastructure; (vii) livelihoods and social protection; and (viii) information/statistics. In addition, cross-cutting activities such as HIV/AIDS, gender, conflict prevention, and the environment will also be eligible for financing.

C. Categories of Expenditure

The categories of expenditure that are eligible for financing from the MDTF-SS, together with the percentages of expenditures to be financed, are as follows:

<u>Category</u>	<u>Percentage of Expenditures to be Financed</u> ^{16/}
(1) Grants for Investment Projects:	100%
(2) Expenditures for IDA-Executed activities, including:	100%
Contractual Services	
Consultant Fees	
Travel Expenses	
Staff Costs (salary and benefits)	
Equipment	
Media and workshop costs	
Associated Overheads	
(3) Recurrent expenditures	100%

^{16/} Excluding taxes and duties.

Oral Briefing on Avian Influenza Donors' Conference

4. Mr. James Adams, Vice President, Operations Policy and Country Services, briefed the Executive Directors on the Avian Influenza Donors' Conference held in Beijing, January 17-18, 2006.

Uganda – Country Assistance Strategy

5. The Executive Directors discussed the joint IDA/IFC/MIGA Country Assistance Strategy for the Republic of Uganda (IDA/R2005-0250[IFC/R2005-0301;MIGA/R2005-0064], dated December 22, 2005). The Chairman's Concluding Remarks were distributed as R2005-0253/3[IFC/R2005-0301/3, MIGA/R2005-0064/3], dated January 24, 2006.

Credit and Grant to Uganda – Fifth Poverty Reduction Support Operation (PRSC 5)

6. The Executive Directors considered the President's Memorandum and Recommendation (IDA/R2005-0254, dated December 22, 2005) and approved the IDA credit and IDA grant for the Fifth Poverty Reduction Support Operation (PRSC-5) to the Republic of Uganda in the amounts of SDR 15.5 million (US\$22.5 million equivalent) and SDR 77.7 million (US\$112.5 million equivalent), respectively, on the payment terms and other terms and conditions set out in the President's Memorandum.

Loan to Azerbaijan – Highway 2 Project

7. The Executive Directors considered the President's Memorandum and Recommendation and approved the loan to the Republic of Azerbaijan for the Highway 2 Project in the amount of US\$200 million on the payment terms and other terms and conditions set out in the President's Memorandum (R2005-0264, dated December 27, 2005). Mr. Holland (via statement issued as EDS2006-0059) wished to be recorded as having abstained.

Grant from the GEF Trust Fund to Bhutan – Sustainable Land Management Project

8. The Executive Directors approved a grant from the Global Environment Facility Trust Fund to the Kingdom of Bhutan for the Sustainable Land Management Project in the amount of US\$7.66 million on the terms and conditions set out in the President's Memorandum (GEF/R2005-0030, dated December 27, 2005).

Date of Next Meeting

9. It was agreed to hold a meeting of the Executive Directors of the Bank and IDA on Thursday, January 19, 2006.

Adjournment

10. The meeting adjourned at 12:43 p.m.

Distribution:

Executive Directors and Alternates

President

Bank Group Senior Management

Vice Presidents, Bank, IFC and MIGA

Directors and Department Heads, Bank, IFC and MIGA