

CONFORMED COPY

June 6, 2011

Mr. Claude Beauséjour
Counselor (Development) and Head of Aid
Embassy of Canada in Nicaragua (Program Office)
Bolonia, De Los Pipitos 2 c. abajo
Calle El Nogal, No. 25
Managua Nicaragua

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 Nicaragua 2011 Agricultural Census and Public Expenditure Review Single-Donor Trust Fund (TF No. 071688)

Dear Mr. Beauséjour,

1. We are pleased to acknowledge on behalf of the International Development Association (“IDA” or 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 from the Donor’s Balance Account (TF No. 029048) at the Bank, the sum of two million, three hundred thousand Canadian Dollars (CAD 2,300,000) (the “Contribution”) for the Nicaragua 2011 Agricultural Census and Public Expenditure Review Trust Fund (the “Trust Fund”) in accordance with the terms of this Arrangement.

2. Activities and Expenditures Financed by the Contribution

The Contribution will be used to finance the activities and the categories of expenditure set forth in the “Description of Activities and Expenditures under the “Nicaragua 2011 Agricultural Census and Public Expenditure Review Trust Fund” attached as an Annex to this Arrangement, and will be administered by the Bank on behalf of the Donor in accordance with the terms of this Arrangement.

3. Administration of the Contribution

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

3.2. 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.

4. Deposit of the Contribution

4.1. The Donor hereby authorizes the Bank to transfer the Contribution (as defined in paragraph 1 of this Arrangement) from the Donor's Balance Account (TF No. 029048) to the Trust Fund (TF No. 071688), promptly following countersignature of this Arrangement.

4.2. The Bank will convert the Contribution funds into the holding currency of the Trust Fund, namely United States Dollars, 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.

5. Commingling, Exchange and Investment of the Contribution

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

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

5.3. The Bank will invest and reinvest the Contribution 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 Contribution.

6. Administrative Cost Recovery

6.1. In order to assist in the defrayment of the costs of administration and other expenses incurred by the Bank under this Arrangement, the Bank may, following deposit of the Contribution, deduct and retain for its own account an amount equal to two percent (2%) of each Contribution. In addition, costs for trust fund administration, program management and supervision as defined in Annex 1 up to a maximum of an amount equal to five percent (5 %) of each Contribution will be charged to the Trust Fund on an actual basis. If the Contribution increase beyond what was originally expected at the time of counter-signature of this Arrangement, and the administrative costs increase as a result, the Donor acknowledges that an additional administrative fee may be applied to such new Contribution.

7. Grant to Recipient

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

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

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

8. Procurement

8.1. For Recipient-executed activities, the Grant Agreement will provide that the Contribution will be used by the Recipient to finance expenditures for goods, non-consulting services and consultants’ services, as the case may be, in accordance with the Bank’s Guidelines on “Procurement of Goods, Works and Non-consulting Services under IBRD Loans and IDA Credits and Grants by World Bank Borrowers” and the Bank’s Guidelines on the “Selection and Employment of Consultants under IBRD Loans and IDA Credits and Grants by World Bank Borrowers”, as in effect at the date of entry into the Grant Agreement.

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

9. Accounting and Financial Reporting

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

9.2. The Bank will furnish to the Donor current financial information relating to receipts, disbursements and fund balance in the holding currency of the Trust Fund with respect to the Contribution via the 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 Contribution will be made available to the Donor via the Bank’s Trust Funds Donor Center secure website.

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

financial statement for all cash-based trust funds together with the Bank's external auditor's opinion thereon. The cost of the single audit will be borne by the Bank.

9.4. If the Donor wishes to request, on an exceptional basis, a financial statement audit by the Bank's external auditors of the Trust Fund, the Donor and the Bank 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 Arrangement 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 Donor.

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

10. Progress Reporting

10.1. The Bank will provide the Donor with an annual report on the progress of activities financed by the Contribution. Within six (6) months of the final disbursement date specified in paragraph 11.2, the Bank will furnish to the Donor a final report on the activities financed by the Trust Fund.

10.2. The Donor may review or evaluate activities financed by the Trust Fund. The Donor and the Bank 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.

11. Disbursement; Cancellation; Refund

11.1. The Contribution may be used to retroactively finance payments for eligible expenditures in accordance with the Bank's policies and procedures for payments made prior to the date of countersignature of this Arrangement but on or after May 13, 2011.

11.2. It is expected that the Contribution will be fully disbursed by the Bank by March 30, 2013. The Bank will only disburse Contribution for the purposes of this Arrangement after such date with the written approval of the Donor.

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

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

12. Communication and Addresses

Except as provided for in paragraph 4.2 above, any notice, request or other communication to be given or made under this 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. Augusto García
Operations Officer
LCSAR
The World Bank
Nicaragua Country Office
Plaza Santo Domingo, Edificio COBIRSA No. 2, Quinto Piso
Km 6 ½ Carretera a Masaya
Managua, Nicaragua
E-mail: agarcia2@worldbank.org

For the Donor:

Mr. Claude Beauséjour
Counselor (Development) and Head of Aid
Embassy of Canada in Nicaragua (Program Office)
Bolonía, De Los Pipitos 2 c. abajo
Calle El Nogal, No. 25
Managua Nicaragua
E-mail: Claude.Beausejour@international.gc.ca

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

14. No member of the House of Commons of Canada will be admitted to any share or part of this Arrangement or to any benefit to arise therefrom. 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 Holder or the Values and Ethics Code for the Public Service will derive a benefit from this Arrangement.

15. Amendment

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

16. Disclosure

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

This Arrangement is not an international treaty; it is an administrative arrangement between the Donor and the Bank.

Sincerely,

INTERNATIONAL DEVELOPMENT ASSOCIATION

By C. Felipe Jaramillo
Director
Central America
Latin America and the Caribbean Region

**AGREED:
THE GOVERNMENT OF CANADA
CANADIAN INTERNATIONAL DEVELOPMENT AGENCY**

By: /s/ Claude Beauséjour

Name: Claude Beauséjour

Title: Counselor (Development)

Date: June 6, 2011

**Description of Objective and Activities and Expenditures under the Nicaragua 2011
Agricultural Census and Public Expenditure Review Trust Fund**

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

A. OBJECTIVE

The objective of the Trust Fund is to assist the Republic of Nicaragua in producing and publishing statistical information on the agricultural sector to guide the formulation of development policy related to said agricultural sector.

B. DESCRIPTION OF ACTIVITIES

(a) Bank-Executed Trust Fund Activities:

- (i) Carrying out of an agricultural public expenditure review (PER) of the Republic of Nicaragua in coordination with the Ministry of Agriculture and the Ministry of Finance to assess the effectiveness of the PRORURAL program and of other public expenditures in the agricultural sector.
- (ii) Design and implementation of a dissemination strategy of the PER, both within the Bank and in the Republic of Nicaragua.
- (iii) Carrying out of the monitoring, evaluation, management and administration of the Trust Fund’s activities and supervision of Recipient-executed activities

(b) Recipient-Executed Trust Fund Activities:

- (i) Provision of assistance to the Republic of Nicaragua to partially finance the costs associated to the carrying out of approximately 300,000 interviews in rural areas, as part of the 2011 IV National Agricultural Census.

C. CATEGORIES OF EXPENDITURE

For Recipient-Executed activities the Contribution may be used to finance: (a) Consultant’s Services (including Audits); (b) Operating Costs (Excluding Salaries of Officials of the Recipient’s Civil Service and/or Salaries of any of the Implementing Entities’ Staff); (c) Non-Consulting Services; and (d) Goods.

For the purposes of this section “Non-consultant Services” means reasonable expenditures for services which will be bid and contracted on the basis of performance of measurable

physical outputs, including, *inter alia*, fees and per diems of enumerators to carry out the Census.

For Bank-Executed activities, the Contribution may be used to finance: (a) Staff Costs; (b) Consultant Fees (STC); (c) Extended Term Consultants (ETC); (d) Travel Expenses (Staff, ETC, and STC); (e) Contractual Services; (f) Media And Workshop Costs; and (g) Associated Overhead.

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