ADMINISTRATION AGREEMENT FOR EUROPEAN UNION CONTRIBUTIONS, AS REPRESENTED BY THE COMMISSION, TO TRUST FUNDS

World Bank Group Trust Fund No. TF072204 for the Single Donor Trust Fund for the Papua New Guinea Productive Partnerships in Agriculture Project – Cocoa Component

_European Commission Contract Number: EDF/2014/342-447._

**Article 1**

**Subject**

**Section 1.01.** In pursuance of the Trust Funds and Cofinancing Framework Agreement between the European Union, represented by the European Commission (the “Commission”), and the International Bank for Reconstruction and Development (“IBRD”), the International Development Association (“IDA”), and the International Finance Corporation (“IFC”) (collectively, the “World Bank Group”) dated March 20, 2009 (the “Framework Agreement”), the Commission hereby agrees to make available a Contribution for an amount referred to in Section 3.02, and to be administered by IBRD and IDA (collectively the “Bank”) for the EU Trust Fund for the Papua New Guinea Productive Partnerships in Agriculture Project – Cocoa Component, Trust Fund No. TF072204 (the “Project”).

**Section 1.02.** The Contribution shall be used exclusively for the purposes set out in Annex I which includes a Description of the Project as well as, where required, the expenditures eligible for financing from the Commission, and the relevant indicators.

**Section 1.03.** The Bank shall administer the Contribution in accordance with the provisions of:

- the Framework Agreement;
- this Administration Agreement; and
- the attached General Conditions applicable to European Union Contributions to Trust Funds (the “General Conditions”).

**Section 1.04.** The Contribution is provided under Joint Management for all purposes of this Administration Agreement.

**Section 1.05.** The Project is not a Multi-Donor Trust Fund for all purposes of this Administration Agreement.

**Section 1.06.** The trust fund is not an exceptionally large trust fund for the purposes of Section 16.03 of the General Conditions.

**Article 2**

**Entry into Force and Implementation Period**

**Section 2.01.** This Administration Agreement shall enter into force when the last of the two Parties signs and will remain in force until the End Date.

**Section 2.02.** Expenses financed under the Contribution must be incurred after the date on which the last of the two parties signs.

**Section 2.03.** It is expected that the Contribution will be fully utilized in accordance with the provisions of this Administration Agreement by November 11, 2015 (“End Disbursement Date”). The End Disbursement Date can only be modified with the agreement of both Parties pursuant to Article 9 of the General Conditions.
Section 2.04. The Bank shall only disburse the Contribution for the purposes of this Administration Agreement after the End Disbursement Date with the prior written agreement of the Commission.

Article 3

Amount of the Contribution

Section 3.01 The budget of the trust fund is estimated to be EUR 5,000,000 as set out in Annex III.

Section 3.02 The Commission undertakes to finance EUR 5,000,000 for the trust fund.

Section 3.03 Indirect Costs under this Administration Agreement shall not exceed 5% of the final amount of eligible Direct Costs of the Contribution.

The Bank may, following deposit of the first contribution from any donor to the trust fund, deduct from that contribution and retain for the Bank’s own account an amount equal to Thirty-Five Thousand United States Dollars ($35,000) which is not included in the above percentage.

The Bank may, following deposit of the Contribution by the Commission, deduct from each Contribution of the Commission and retain for the Bank’s own account an amount equal to 5% of the holding currency of the trust fund/the Contribution, which is included in the above percentage.

The final amount that the Bank is entitled for Indirect Costs shall be adjusted to the actual disbursed amounts of the Contribution in accordance with Articles 14 and 17 of the General Conditions.

Section 3.04 The following categories of costs shall be considered eligible under this Administration Agreement provided they comply with Section 14.01 of the General Conditions: goods, civil works, consulting services, non-consulting services, productive partnership grants, operating costs, and training.

Article 4

Payment Schedule and Reporting

Section 4.01. Payments will be made in accordance with Article 15 of the General Conditions, and in accordance with the following payment schedule:

Advance payment 50%
EUR 2,500,000

Intermediate payment 40%
EUR 2,000,000

(subject to the provisions of the General Conditions)

Final payment 10%
EUR 500,000

(subject to the provisions of the General Conditions)

The Contribution funds shall be maintained in EUR.
Section 4.02. Narrative progress report(s) and financial information shall be provided consistent with Article 2 of the General Conditions, and in accordance with the following schedule:

- a narrative progress report shall accompany every request for a further instalment of financing. A final narrative report shall be forwarded to the Commission within six (6) months after the End Disbursement Date;

- the progress financial information shall be made available via the Bank’s Trust Funds Donor Center secure website following the signature of this Administration Agreement. The final financial information shall be made available via the Bank’s Trust Funds Donor Center secure website within six (6) months after the End Disbursement Date.

Section 4.03. For the purposes of Section 2.03 of the General Conditions an updated workplan shall be provided with each report.

Article 5

Communications and Addresses

Any communication relating to this Administration Agreement shall be in writing, shall state the number and title of the trust fund, and shall use the following addresses.

Payment requests and attached reports, including requests for changes to bank account arrangements pursuant to Section 9.02 of the General Conditions, and a copy of the reports referred to in Section 4.02 shall be sent to:

For the Commission:
Delegation of the European Union to Papua New Guinea
BSP Haus 6th Floor, Harbour City
Port Moresby, Papua New Guinea
For the attention of the Ambassador

For the Bank:
1818 H Street, N.W.
Washington, D.C. 20433
United States of America
Article 6

Annexes

Section 6.01. The following documents are annexed to this Administration Agreement and form an integral part thereof:

Annex I: Description of the Project.

Annex II: General Conditions applicable to European Union Contributions to Trust Funds.

Annex III Indicative Budget for the Project.

Section 6.02 In the event of a conflict between the provisions of the Annexes and those of this Administration Agreement, the provisions of this Administration Agreement shall take precedence. In the event of a conflict between the provisions of Annex II and those of the other Annexes, the provisions of Annex II shall take precedence.

Article 7

Other Conditions Applying to the Project

Section 7.01. The measures taken to identify the European Union as the source of financing shall be in accordance with Article 8 (Visibility and Participation) and Attachment 4 of the Framework Agreement.

This agreement is drawn up in three originals, two for the Commission and one for the World Bank Group entity.

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<tr>
<th>For the European Union, represented by the Commission of the European Communities</th>
<th>For the International Bank for Reconstruction and Development; International Development Association; International Finance Corporation</th>
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<td>Martin DiHM</td>
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Annex I

PAPUA NEW GUINEA

Productive Partnerships in Agriculture Project

Project Description

I. Project Objective

The objective of the Project is to improve the livelihoods of smallholder cocoa producers through the improvement of the performance and the sustainability of value chains in cocoa-producing areas.

II. Project Description

1. The EU Contribution will, jointly with IDA financing, fund the Parts of the Project “to improve livelihoods of smallholder cocoa producers supported by the Project” related specifically to the cocoa sector, as set out below:

2. Part 1: Institutional Strengthening and Industry Coordination
   (a) Improving the performance of cocoa sub-sector institutions and enhancing industry coordination by building the capacity of the Cocoa Industry Coordination Committee to support dialogue and policy development through, *inter alia*: (i) the carrying out of policy studies on priority topics proposed by the Cocoa Industry Coordination Committee and approved by the Association and aimed to enable the structural changes required in the sectors; and (ii) the provision of training, technical assistance and operational support to such Committee and the Cocoa Board’s staff.

   (b) Improving transparency in the cocoa sub-sector and supporting policy development through, *inter alia*: (i) the carrying out of targeted communication campaigns on key policy and farming practices needing changes; (ii) the strengthening of effective information management systems for the Cocoa Board to address the current gaps in the collection, generation and dissemination of technical and market information to stakeholders; and (iii) the provision of related technical assistance, training, data collection, surveys and information dissemination.

   (c) Strengthening quality promotion in the cocoa industry and promoting, where appropriate, the adoption of certified sustainability practices through, *inter alia*: (i) retraining of cocoa fermentaries owners, traders and inspectors working with exporters in view of the CPB (cocoa pod borer) impact on cocoa quality; (ii) carrying out of studies on export standards and licensing regulations in response to the impact of the CPB; (iii) a survey of fermentaries status, and improvements in the capacity of the Cocoa Board inspections; (iv) training of trainers to reduce the costs of certification in Papua New Guinea (“PNG”) and other assistance for certification; and (v) the promotion of the PNG’s products origin.
(d) Provision of technical advisory services, operational support and training to support: (i) the Project management and monitoring and evaluation functions of the Cocoa Board Project Management Unit; and (ii) the operations of the Technical Appraisal Committee for Cocoa partnership proposals.

3. Under this Part, the Contribution will finance communications costs and transportation for the Project Management Unit. Communication activities include, but are not limited to, consultancy fees for designing and installing a management information system ("MIS") and the production and broadcasting of sensitizing media pieces to promote improved cocoa management practices and CPB control. The transportation costs would mainly include, but not be limited to, vehicle purchase and operation.

4. Part 2: Productive Partnerships
   (a) Provision of Productive Partnership Grants to Partnerships to support Activities in Cocoa-growing Areas aimed to increase smallholder cocoa productivity, quality, and sustainability; improve cocoa-farming systems; and improve nutrition services in farmer communities; such Activities to include, among other things, training in good farming practices, production of improved planting material, improvement of functional literacy and numeracy, business skills and farm management, building capacity of extension agents and farmer groups and cooperatives, certification systems and post-harvest and processing.

   (b) Provision of technical assistance for the preparation of Partnership proposals for financing by the abovementioned Productive Partnership Grants.

5. In this Agreement, "Partnership" means a partnership or association formed in accordance with the laws of PNG between: (a) a farmer group on the one hand; and (b) on the other hand an agribusiness or private sector firm or association engaged in the sector, a knowledge or service provider, a smallholder farmer cooperative or association or a multiple partnership involving more than two of the above. Eligible partnerships are those approved as per the Project's guidelines.

6. Under this Part, the Contribution will finance cocoa clone supplies and partnership sub-projects. It is expected that a minimum of 900,000 CPB-tolerant clones will be purchased and distributed to cocoa growers through at least ten (10) partnerships involved in the Project.

7. Part 3: Market Access Infrastructure
   Improving the access to markets for the Partnerships supported by Productive Partnership Grants through:

   (a) the identification and selection of the rehabilitation and maintenance needed to feeder roads, access tracks and other transport infrastructure linking farmers to markets; and

   (b) carrying out of Priority Investments and training of communities in the maintenance of the Priority Investments.
8. Under this Part, the Contribution will finance the rehabilitation of selected feeder roads for improved cocoa growers’ access to markets. This amount is expected to contribute towards the rehabilitation of a minimum of fifteen (15) km of feeder roads to facilitate access of cocoa growers to markets.
ATTACHMENT 2 OF THE FRAMEWORK AGREEMENT
ANNEX II OF THE ADMINISTRATION AGREEMENT

GENERAL CONDITIONS APPLICABLE TO EUROPEAN UNION
CONTRIBUTIONS TO TRUST FUNDS

GENERAL PROVISIONS TO THE ADMINISTRATION AGREEMENT

ARTICLE 1

General obligations of the World Bank Group entity

Section 1.01. The World Bank Group entity may, according to the Description of the Project in Annex I, execute the funds directly or may provide them to a Recipient for execution in accordance with the World Bank Group entity's policies and procedures.

Section 1.02. In case of a BETF, the World Bank Group entity shall carry out the Project in accordance with the Administration Agreement, including the Description of the Project contained in Annex I, and in accordance with the World Bank Group entity's policies and procedures. The World Bank Group entity shall report on the indicators specified in the Description of the Project.

Section 1.03. In case of a RETF, the World Bank Group entity shall be responsible, as administrator on behalf of the Commission, for making arrangements to ensure that the Contribution is used only for the purposes for which it was granted, with due attention to considerations of economy and efficiency. For this purpose, the World Bank Group entity shall monitor, evaluate, report and, where applicable, provide technical assistance, in accordance with the Administration Agreement, including the Description of the Project contained in Annex I, the Grant Agreement and the World Bank Group entity's policies and procedures. The World Bank Group entity shall report on the Indicators specified in the Description of the Project.

The World Bank Group entity shall enter into a Grant Agreement with the Recipient for the provision of such funds to the Recipient for the purposes set forth in the Administration Agreement. Grant Agreements may be entered into up to the maximum amount of the contributions that all donors including the European Union intend to make available in the Administration Agreement(s). The World Bank Group entity shall provide a copy of the Grant Agreement to the Commission. The World Bank Group entity shall be solely responsible for the administration of such Grant Agreement and shall carry out such administration in accordance with its applicable policies and procedures without prejudice to Section 1.06.

Section 1.04. The World Bank Group entity will be responsible only for performing those functions specifically set forth in the Administration Agreement, in these General Conditions, unless agreed otherwise with the Commission, and in case of a Multi-Donor Trust Fund, of the relevant Resolution or the Standard Provisions or the Terms and Conditions, and will not be subject to any other duties or responsibilities to the Commission, 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 the Administration Agreement, in these General Conditions, and in case of a Multi-Donor Trust Fund, in the relevant Resolution
or the Standard Provisions or the Terms and Conditions, will be considered a waiver of any
privileges or immunities of the relevant World Bank Group entity under its Articles of
Agreement or any applicable law, all of which are expressly reserved.

Section 1.05. The World Bank Group entity shall take measures to prevent irregularities,
 fraud, corruption or any other illegal activity in the management of the Project in accordance
with its policies and procedures.

In accordance with applicable World Bank Group policies and procedures, including those
pertaining to protection of confidential information and the integrity of the investigative
process, the World Bank Group entity shall keep the Commission informed of the progress of
any formal World Bank Group entity investigation concerning the misuse of funds provided
under this Administration Agreement and will report to the Commission without delay the
conclusions of such findings as well as measures taken to address the fraud and corruption
consistent with its policies and procedures on anti-corruption.

In accordance with the World Bank Group's policies and procedures, the World Bank Group
entity shall, for BETFs, terminate contracts with Beneficiaries and, for RETFs, terminate the
Grant Agreement or the financing to the Recipient for contracts with Beneficiaries, when
either the Beneficiaries and/or the Recipient have been found by the World Bank Group entity
to have been involved in fraud or corruption in connection with this trust fund financed by the
Commission. In such cases, the World Bank Group entity shall apply its applicable policies
and procedures in consultation with the donor(s) to recover the ineligible expenditures.

Section 1.06. The World Bank Group entity undertakes to ensure that the principles set forth
under Section 1.05, and Articles 4, 5, 6, 10, 14 and 16 of these General Conditions also apply
to the Recipient and, where applicable, to Beneficiaries involved. The World Bank Group
entity shall indicate to the Recipient in the Grant Agreement the possibility that the
Commission may adopt measures vis-à-vis the Recipient, should the latter not reimburse the
World Bank Group entity under Section 1.05.

ARTICLE 2

Obligations regarding financial information and narrative reports

Section 2.01. The World Bank Group entity shall provide the Commission with information
on the progress and results of the Projects financed under the Contribution. To that end the
World Bank Group entity shall prepare narrative progress report(s) and a final report
containing information set forth in Section 2.03 and 2.04. The World Bank Group will also
provide the Commission with progress and final financial information regarding the Project.
The narrative report(s) as well as the financial information shall cover the entire Project
described in the Administration Agreement regardless of whether or not the Project is entirely
financed by the Commission.

Section 2.02. The World Bank Group entity shall send to the Commission narrative progress
report(s) and make available progress financial information in accordance with the provisions
below. Every report and information shall include all Project activities for the period covered.
The financial information will be made available via the Bank's Trust Funds Donor Center
secure website.

Section 2.03. The narrative progress report(s) shall provide for comparison of the
objective(s) of the trust fund, the results expected and obtained and the budget details for the
Project. The level of detail in the narrative report(s) should match that of the Description of
the Project and of the indicative budget of the Project.
The narrative reports should include:

- Summary and context of the Project;
- Activities carried out during the reporting period (i.e. directly related to the description of the Project and activities foreseen in this Administration Agreement, including information on the measures taken to identify the European Union as source of financing);
- Difficulties encountered and measures taken to overcome challenges;
- Changes introduced in implementation, including changes in the procurement plan pursuant to Section 10.01;
- Achievements/results by using indicators specified in the Description of the Project contained in Annex I;
- Work plan or schedule of Project activities (as described in the Administration Agreement) for the following period. If the report is sent after the end of the period covered by the preceding work plan or schedule, a provisional work plan or schedule shall be submitted before the end of the period covered by the preceding work plan or schedule.

The progress financial information shall provide for a history of contributions received and the expenditures. It shall allow the Commission to assess whether the incurred expenditures generally comply with the Administration Agreement.

Section 2.04. The final narrative report shall contain the above information (excluding the future workplan or schedule of Project activities) covering the entire Project implementation, information on the visibility measures taken to identify the European Union as a/the source of financing, details on the transfers of assets mentioned in Section 7.02 if relevant, and information on the final procurement plan mentioned in Section 10.01. The final financial information shall provide for a history of the contributions received and the expenditures. It shall allow the Commission to assess whether the incurred expenditures generally comply with the Administration Agreement.

Section 2.05. The reports shall be presented in English.

Section 2.06. The narrative progress report(s) shall be submitted at the following intervals:

if payments follow option 1 of Section 15.01 of these General Conditions:
- a narrative progress report shall be forwarded to the Commission on an annual basis following the signature of the Administration Agreement.
- a final report shall be forwarded to the Commission within six (6) months after the End Disbursement Date specified in Section 2.03 of the Administration Agreement.

if payments follow option 2 of Section 15.01 of these General Conditions:
- a narrative progress report shall accompany each payment request for a further instalment of financing;
- a final report shall be forwarded to the Commission within six (6) months after the End Disbursement Date specified in Section 2.03 of the Administration Agreement.

Section 2.07. The progress financial information shall be made available pursuant to Section 2.02 following the signature of the Administration Agreement. The final financial information shall be made available pursuant to Section 2.02 within six (6) months after the
End Disbursement Date specified in Section 2.03 of the Administration Agreement without prejudice to the obligations set out in Section 16.06 of these General Conditions.

Section 2.08. The Commission may request clarification on the narrative or financial information providing the reasons for the request. Such information shall be provided as soon as available but no later than forty-five days (45) days of the request.

Section 2.09. In addition to the above mentioned reports, the World Bank Group entity will ensure that other reports, publications, press releases and updates, relevant to the Administration Agreement are communicated to the Commission promptly following their issuance. Other reports may be made available on the Donor Centre secure website.

The Commission may request reasonable additional information on a case by case basis, providing the reasons for the request. Such information shall be supplied within forty-five days (45) days of the request and where applicable, the Commission will be provided the website address for the trust fund.

The World Bank Group entity and the Commission will endeavour to promote close collaboration and exchange of information on the Project.

Section 2.10. The World Bank Group entity shall promptly inform the Commission of any event which, in its opinion, interferes or threatens materially to delay or interfere with the successful implementation of any Project financed by the Contribution.

ARTICLE 3

Liability

Other than for failure to perform its obligations set forth in these General Conditions, in the Administration Agreement, and in the case of a Multi-Donor Trust Fund, in the relevant Resolution or the Standard Provisions or the Terms and Conditions, the Commission shall not under any circumstances whatever be liable for damages caused either to or by the World Bank Group entity or third parties, during the performance of the Administration Agreement. No claim can be submitted to the Commission for compensation or for restoration of any such damage or loss. The Commission will not be responsible for the activities of any person or third party engaged by the World Bank Group and/or the Recipient as a result of the Administration Agreement, nor will the Commission be liable for any costs incurred by the World Bank Group and/or the Recipient in terminating the engagement of any such person.

ARTICLE 4

Conflict of interest

The World Bank Group entity undertakes to take necessary precautions to avoid conflicts of interest in accordance with the applicable policies and procedures of the World Bank Group.

ARTICLE 5

Disclosure

The obligations on confidentiality and disclosure of information are included in Article 10 of the Framework Agreement.
ARTICLE 6

Visibility and Transparency

Section 6.01. The measures taken to identify the European Union as a/the source of financing are subject to Article 8 and Attachment 4 of the Framework Agreement and will be specified in the Administration Agreement.

Section 6.02. With due regard to the World Bank Group entity's applicable rules on confidentiality, security and protection of personal data, the obligations on publication of Beneficiaries shall be governed by Article 9 of the Framework Agreement.

ARTICLE 7

Ownership/use of results and equipment

Section 7.01. The relevant World Bank Group entity shall own all rights, title and interest to all industrial and intellectual property rights and materials used for and produced by a Project in relation to this Administration Agreement. However the World Bank Group hereby grants the Commission a non-exclusive right to use free of charge and as it sees fit any of these materials produced by a Project provided said use does not thereby breach existing industrial and intellectual property rights and the World Bank Group entity's policies and Article 5 of these General Conditions.

Section 7.02. Unless otherwise agreed in the Administration Agreement the equipment, vehicles and supplies paid for by the Contribution shall be transferred to Recipients, local authorities or to the final recipients (excluding commercial contractors) of the activities financed by the trust fund by the end of the Project in accordance with World Bank Group policies on asset management. The documentary proof of those transfers shall be kept for verification along with the documents mentioned in Section 16.06.

ARTICLE 8

Participation in Supervision of the Project

Section 8.01. Representatives of the Commission shall be invited to participate in Supervision missions, when applicable, led by the World Bank Group entity relating to the Project financed under the Contribution. The World Bank Group entity shall keep the Commission informed of the findings of such missions and regularly provide the Commission with summaries of any reports resulting from such missions.

Section 8.02. Notwithstanding the Commission's participation in a World Bank Group entity's Supervision mission, the Commission as a donor may wish to carry out Supervision missions independently at its own cost. Supervision missions by representatives of the Commission should be planned and carried out in a collaborative manner between the World Bank Group entity's staff and the Commission's representatives, keeping in mind the commitment of both to coordination and collaboration for the effective and efficient implementation of the Project included in the Administration Agreement. These missions are to be planned ahead with reasonable notice and procedural matters are to be agreed upon by the Commission and by the World Bank Group entity in advance. The mission will make a draft of its report available to the World Bank Group entity for comments prior to final issuance.
ARTICLE 9
Amendment of the Administration Agreement

Section 9.01. Any modification of the Administration Agreement, including the Annexes thereto, shall be in writing in an amendment.

The request for amendment shall be submitted by either the World Bank Group entity or the Commission one (1) month before the amendment is intended to enter into force, unless otherwise agreed by the World Bank Group entity and by the Commission.

Section 9.02. Notwithstanding Section 9.01, changes of address and changes of bank account may simply be notified in writing to the Commission. Changes of bank account must be specified in the request for payment using a financial identification form.

ARTICLE 10
Procurement and Grants

Section 10.01. If parts of the Project are contracted by the World Bank Group, the relevant procurement plan will be specified in the Description of the Project. If it is not specified therein, the World Bank Group entity will present it to the Commission as soon as it is available.

Section 10.02. Unless otherwise agreed by the Parties in writing, the procurement of any goods, works or services and the award of Grants to Beneficiaries by the World Bank Group entity or the Recipient in the context of the Project shall be carried out in accordance with the applicable policies and procedures adopted by the World Bank Group entity, as previously assessed by the Commission.

The administration and enforcement of all provisions entered into between the World Bank Group entity and a third party that is financed by the trust fund shall be the responsibility solely of the World Bank Group entity and shall be carried out in accordance with its applicable procedures, except as otherwise specified in this Article 10 and Section 1.06.

Without prejudice to the specific procedures and exceptions applied by the World Bank Group entity, the award of Grants to Beneficiaries shall apply the following principles:

- No single Beneficiary may receive more than one Grant financed by the European Union for the same activity. For additional activities, a Beneficiary may receive supplemental Grants;

- Grants may only cover costs incurred after the date on which the Grant contract with the Beneficiary enters into force;

- No portion of any Grant shall be used to provide a direct profit out of the proceeds of the Grant to the Grant Beneficiary unless the objective of the Grant is to reinforce the financial capacity of the Beneficiary; and

- Grants may not as a rule finance the entire cost of the activities carried out by the Beneficiary.

Section 10.03. The origin of the goods and the nationality of the organisations, companies and experts selected for carrying out activities in the Project shall be determined in accordance with the World Bank Group entity's relevant rules. The World Bank Group entity's policies and procedures on procurement and Grants to Beneficiaries are untied.
Section 10.04. The World Bank Group entity shall take into consideration as provided for under the World Bank Group's policies and procedures the following or similar situations as factors for determining qualification or eligibility of:

- Beneficiaries that are bankrupt or being wound up, are having their affairs administered by the courts, have entered into arrangement with creditors, have suspended business activities, are the subject of proceedings concerning those matters, or are in any analogous situation arising from a similar procedure provided for in national legislation or regulations;

- Beneficiaries that have been convicted of an offence concerning their professional conduct by a judgment which has the force of res judicata;

- Beneficiaries that have been the subject of a judgment which has the force of res judicata for fraud, corruption involvement in a criminal organisation or any other illegal activity;

- Beneficiaries that are guilty of misrepresentation in supplying the information required as a condition of participation in the procedure or fail to supply this information;

- Beneficiaries that are subject to a conflict of interest.

Section 10.05. The World Bank Group entity may be given access whatever its medium (written on paper or stored in electronic form) to the central exclusion database set up and operated by the Commission (the "Central Exclusion Database"). The foregoing shall be applied in accordance with the provisions that may be provided for in Attachment 5 of the Framework Agreement including any condition under which the World Bank Group would communicate to the Commission any judgment rendered after 1 January 2009 which has the force of res judicata for fraud, corruption, involvement in a criminal organization or any other illegal activity against a Beneficiary receiving funds from a trust fund financed by the European Union.

ARTICLE 11

Suspension of the Administration Agreement

Section 11.01. The World Bank Group entity may suspend implementation of all or part of the Project in accordance with its policies and procedures including when circumstances make it too difficult or dangerous to continue. It shall inform the Commission without delay and provide all the necessary details should a project be suspended. The Administration Agreement may be terminated in accordance with Section 12.01. If the Administration Agreement is not terminated, the World Bank Group entity shall endeavour to minimise the duration of the suspension and may resume implementation of the Project once the conditions allow, and shall inform the Commission accordingly.

Section 11.02. Upon removal of the suspension, the implementation period of the Administration Agreement shall be automatically extended by an amount of time equivalent to the duration of the suspension. This is without prejudice to any amendments to the Administration Agreement which may be necessary to adapt the Project to the new implementing conditions.
ARTICLE 12

Termination of the Administration Agreement

Section 12.01. If, at any time, either party believes that the purposes of the Administration Agreement can no longer be effectively or appropriately carried out, it shall consult the other party. The Administration Agreement may be terminated at the initiative of either party by giving the other party three (3) months' prior written notice to cancel all or part of the Commission’s pro rata share of any remaining balance of the Contribution funds that is not committed pursuant to any agreements entered into between the World Bank Group entity and any consultants and/or other third parties for the purposes of the Administration Agreement prior to the receipt of such notice, including the Grant Agreement[s].

The World Bank Group entity shall return such cancelled balance to the Commission including any investment income in accordance with Article 18.

Section 12.02. Where the World Bank Group entity:

- fails, without justification, to fulfil any of the obligations set out in Sections 1.02 and 1.03 incumbent on it, including the presentation of a final narrative report and/or making available final financial information within the deadlines laid down in Sections 2.06 and 2.07, after being given notice by letter to comply with those obligations, still fails to do so or to furnish a satisfactory explanation within thirty (30) days of sending of the letter; and, in case of narrative progress reports, after failing to provide, together with a satisfactory explanation, a summary of the state of the progress of the Project;

- fails to comply with Section 1.05 or Article 4;

- provides false reports or makes false or incomplete statements to obtain the Contribution provided for in the Administration Agreement;

- commits financial irregularities or is guilty of grave professional misconduct;

- undergoes legal, financial, technical or organisational change that is likely to substantially affect negatively the Administration Agreement or to call into question the decision by which a direct financial contribution is awarded to the World Bank Group by the Commission following a Call for proposals;

After prior consultation with the World Bank Group entity the Commission may terminate the Administration Agreement. In that event the Commission may request full or partial repayment of any amounts that should have not been considered eligible, after allowing the World Bank Group entity to submit its observations.

Section 12.03. Prior to or instead of terminating the Administration Agreement as provided for in Section 12.02, the Commission may suspend payments or (exceptionally) the eligibility of expenses as a precautionary measure, informing the World Bank Group entity immediately.

Section 12.04 This Administration Agreement shall be automatically terminated if no payment has been made by the Commission within three (3) years of its signature.

ARTICLE 13

Dispute resolution

Section 13.01. The Parties shall endeavour to settle amicably any dispute or complaint relating to the interpretation, application or fulfilment of the Administration Agreement, including its existence, validity or termination. In default of amicable settlement, any party may refer the matter to arbitration in accordance with the Permanent Court of Arbitration
Optional Rules for Arbitration Involving International Organisations and States in force at the date of the Administration Agreement.

Section 13.02. The language to be used in the arbitral proceedings shall be English. The appointing authority shall be the Secretary General of the Permanent Court of Arbitration following a written request submitted by any party. The Arbitrator’s decision shall be binding on all parties to the arbitral proceedings and there shall be no appeal.

Section 13.03. Nothing in the Administration Agreement shall be interpreted as a waiver of any privileges or immunities accorded to any party hereto by its constituent documents or international law.

FINANCIAL PROVISIONS TO THE ADMINISTRATION AGREEMENT

ARTICLE 14

Eligible costs

Section 14.01. To be considered eligible as Direct Costs under the Administration Agreement costs must:

- be necessary for carrying out the activities financed by the trust fund, fall within the scope of the Administration Agreement, and comply with the principles of sound financial management, in particular value for money and cost effectiveness;
- have actually been incurred after the date specified in Section 2.02 of the Administration Agreement and before the End Disbursement Date specified in Section 2.03 of the Administration Agreement;
- be recorded in the World Bank Group or Recipient’s accounts, be identifiable, backed by originals of supporting evidence and verifiable pursuant to the provisions on the verification provision set out in Section 16.07.

Section 14.02. Subject to the above and without prejudice to Section 14.04, the following Direct Costs related to the activities of the trust fund of the World Bank Group entity, or its Recipient may be eligible provided they are consistent with the World Bank Group entity’s policies:

- the cost of staff, including those at headquarters, assigned to the activities funded by the trust fund, corresponding to salaries and other benefits costs;
- travel and subsistence costs for staff and consultants;
- cost of purchase or lease for goods and services (including consultant services, transport, storage and distributing, lease of equipment, etc.);
- costs directly arising out of, or related to, distributing consumables, supplies and communications;
- expenditure on contracting (including works);
- the proportion of field office costs that corresponds to the amount of activity directly attributable to the activities financed by the trust fund or to the proportion of the amount deposited by the European Union;
- media workshops, conferences, meetings and other costs including dissemination of information, translation, reproduction, publication;
- training;
- Supervision/project management activities, project preparation activities, and specific reporting for the needs of the Commission;
- financial service costs (in particular bank fees for transfers) and insurance;
- costs related to carrying out visibility activities.

Section 14.03. The following costs of the World Bank Group entity or its Recipient shall not be considered eligible:
- expenditures and provisions for possible future losses or debts;
- interest owed to any third party;
- items already financed from other sources;
- purchases of land or buildings;
- currency exchange losses;
- taxes, duties and charges (unless the World Bank Group entity or the Recipient is not able to reclaim them and if allowed by the applicable regulatory provisions of the European Union).

Section 14.04. In order to assist in the defrayment of the costs of administration and other expenses incurred by the World Bank Group entity in administering the trust funds provided to it hereunder, a fixed percentage of Direct Costs, not exceeding 7%, may be deducted from each Contribution and retained as Indirect Costs by the World Bank Group entity. The 7% includes any set up fee that the World Bank governing bodies' decision may establish. Indirect Costs are eligible provided that they do not include Direct Costs specifically charged including preparation and supervision costs.

Where the administrative costs charged by the World Bank Group exceed 7%, the World Bank Group entity may recover the balance as Direct Costs, subject to meeting the requirements governing direct eligible costs referred to in Section 14.01. Indirect Costs shall not be eligible where the Administration Agreement concerns the financing of a Project where the World Bank Group entity is already receiving funding for its functioning from the European Union during the same period in question.

ARTICLE 15
Payments

Section 15.01. Payment schedule is set out in Article 4 of the Administration Agreement and follows one of the options below.

- **Option 1 will be applicable in case of Single Donor Trust Funds or Multi-Donor Trust Funds where the trust fund has an anticipated duration of one year or less:**
  
  An advance payment, representing 100% of the total Contribution referred to in Section 3.02 of the Administration Agreement shall be payable by the Commission within forty-five (45) days following receipt of the Administration Agreement signed by both Parties and receipt by the Commission of a payment request conforming to the model agreed between the Parties.

- **Option 2 will be applicable in case of Single Donor Trust Funds or Multi-Donor Trust Funds where the trust fund has an anticipated duration of more than one year:**
An advance payment representing 50% of the total Contribution referred to in Section 3.02 of the Administration Agreement shall be payable within forty-five (45) days following receipt of the Administration Agreement signed by both Parties and receipt by the Commission of a payment request conforming to the model agreed between the Parties.

One or several intermediate payments representing X% of the total Contribution referred to in Section 3.02 of the Administration Agreement and specified in Section 4.01 of the Administration Agreement, shall be payable within forty-five (45) days of approving the narrative progress report and the financial information provided the payment request is accompanied by written confirmation that 50% of the total funds received to-date by the trust fund have been subject to a Commitment.

A final payment representing 100-(50 + X)% of the total Contribution referred to in Section 3.02 of the Administration Agreement and specified in Section 4.01 of the Administration Agreement, shall be payable within forty-five (45) days following receipt by the Commission of a payment request accompanied by written confirmation that (50 + X)% of the total funds received to-date by the trust fund have been subject to a Commitment.

**Section 15.02.** Narrative progress reports and the up to date financial information shall be deemed approved if the Commission has not reacted within forty-five (45) days of receiving the narrative progress report. If the Commission does not intend to approve a narrative report and/or financial information, as submitted or made available, it shall revert to the World Bank Group entity specifying the additional information it requires in accordance with Section 2.08. The deadline for approving the narrative report and financial information shall be suspended pending the receipt of the requested information.

If the Commission deems that a payment request cannot be met, it shall revert to the World Bank Group entity with a request specifying the additional information it requires within the forty-five (45)-day payment period. The payment period shall be suspended pending the payment request being made available in accordance with Section 15.01.

Approval of a report does not imply recognition of the regularity, authenticity, completeness and correctness of the declarations and information contained therein.

**Section 15.03.** All payments shall be made in Euro, into such bank account designated by the World Bank Group entity in its request for payment pursuant to Section 9.02.

When making deposits pursuant to this Section 15.03, the Commission will instruct the bank with which the deposit is made to include in its payment details information (remittance advice) field of its SWIFT payment message information indicating the amount and date of the deposit, the name and World Bank reference number of the trust fund for which the deposit is made (as set forth in the Administration Agreement), the Commission internal reference number (as set forth in the Administration Agreement), name of the project for which the funds are intended, name of the Commission's department responsible for the trust fund, date of the Administration Agreement or amendment. The Commission will also send a copy of its instruction to the IBRD's Trust Funds Division via e-mail using address "TFremitadvice@worldbank.org or via fax utilizing fax number 1-202-614-1315.

**Section 15.04.** In case of Single Donor Trust Funds except as the Commission and the World Bank Group entity may otherwise agree and subject to Section 15.06, any funds so deposited by the Commission shall be maintained in Euro. In case of Multi-Donor Trust Funds, in the event that holding currency of the Multi-Donor Trust Fund is not Euro, the World Bank
Group entity, shall convert the funds into the holding currency of the trust fund promptly following receipt of the funds, provided that all the necessary documentation has been received, at the exchange rate applicable to the World Bank Group on the date of the conversion unless the parties agree otherwise in Section 7.02 of the Administration Agreement. In all cases, where the Contribution proves to be insufficient to complete the Project as a result of an exchange rate fluctuation, the Commission will not bear any responsibility for additional financing.

Section 15.05. The funds deposited pursuant to Section 15.04 above may be commingled with other trust fund assets administered by any World Bank Group entity, provided they may still be identified as such in the records of the World Bank Group entity but shall be kept separate and apart from the funds of each of the World Bank Group entities.

Section 15.06. The World Bank Group entity may exchange any funds held hereunder for other currencies in order to facilitate their administration and disbursement at the exchange rate applicable to the World Bank Group on the date of the conversion unless the parties agree otherwise in Section 7.02 of the Administration Agreement.

Section 15.07. IBRD shall, on behalf of the World Bank Group entity, invest and reinvest the funds provided by the European Union hereunder pending their disbursement, in accordance with IBRD's policies and procedures for the investment of trust funds. For Multi Donor Trust Funds and/or Joint Management, IBRD shall credit all income earned on funds received from the Commission from such investment to the trust fund established under this Administration Agreement to be used for the same purposes as the Contribution funds. For Contributions which are not Multi-Donor Trust Funds and/or Joint Management, investment income earned on funds received from the Commission shall be identified as such, and IBRD shall credit such income to the Commission's Donor Balance Account to be reimbursed to the Commission annually upon receipt by IBRD of banking details and authorized instructions from the Commission. Such refund request shall be sent to the attention of the Division Manager, Trust Fund Division, Accounting Department of the World Bank.

ARTICLE 16

Financial audits and checks

Section 16.01. The World Bank Group shall maintain separate records and ledger accounts in respect of the Contributions deposited by the Commission in the trust fund account and disbursements made therefrom. Separate records and ledger accounts shall be kept for each trust fund.

Section 16.02. The World Bank Group shall provide to the Commission, within six (6) months following the end of each World Bank Group fiscal year, the annual single audit, comprising (1) a management assertion together with an attestation from the World Bank Group's external auditors concerning the adequacy of internal control over cash-based financial reporting for trust funds as a whole; and (2) a combined financial statement for all cash-based trust funds together with the external auditor's opinion thereon. The cost of the single audit shall be borne by the World Bank Group.

Section 16.03. For Exceptionally large trust funds where a financial statement audit is deemed appropriate and necessary, the World Bank will include provisions in the Administration Agreement for the financial statements of the trust fund to be audited (either annually, periodically, or at the completion of the trust fund as agreed with the donor(s)), by the World Bank's external auditors in addition to the Single Audit Report. The costs with respect to such
audits will be paid by the trust fund. These audited financial statements will be submitted to the Commission.

**Section 16.04.** If the Commission wishes to request, on an exceptional basis, a financial statement audit by the Bank's external auditors of a trust fund established under an Administration Agreement, the Commission and the Bank will first consult one another as to whether such an external audit is necessary. Following consultation, if the Commission wishes to proceed with the external audit, the Bank will arrange for such an audit. The cost of any such audit, including the Bank's internal costs related to such an audit, will be paid by the Commission.

**Section 16.05.** The Bank will provide the Commission with copies of all financial statements and auditors' reports received by the Bank from the Recipients pursuant to the Grant Agreements.

**Section 16.06.** The World Bank Group entity shall, until at least seven years after the End Disbursement Date of the Administration Agreement:

(i) keep financial and accounting documents concerning the activities financed by the European Union hereunder; and

(ii) make available to the competent bodies of the European Union upon request, all relevant financial information, including statements of accounts concerning the project or activity financed by the European Union hereunder (whether executed by such World Bank Group entity or by its subcontractor).

**Section 16.07.** In conformity with the European Union financial regulations, the European Union may undertake, including on-the-spot, checks related to the Projects and activities financed by the trust fund.

**Section 16.08.** The foregoing shall be applied in accordance with the verification provisions provided for in Attachment 3 of the Framework Agreement.

**ARTICLE 17**

**Final amount of the Contribution by the Commission**

**Section 17.01.** The total amount to be paid by the Commission to the World Bank Group entity may not exceed the maximum Contribution established by Section 3.02 of the Administration Agreement, even if the overall actual expenditure exceeds the estimated total budget set out in Section 3.01 of the Administration Agreement unless amended in accordance with Section 9.01.

**Section 17.02** The World Bank Group entity accepts that the Contribution amount shall be limited to the amount required to balance income and expenditure for the Project and that it may not in any circumstances result in a surplus for the World Bank Group entity.

**Section 17.03.** In cases where the Project is not completed by the End Disbursement Date specified in Section 2.03 of the Administration Agreement, the funds that remain unexpended after all Commitments incurred have been satisfied, including investment income will be reimbursed to the relevant Balance Account.

**Section 17.04.** Where the Project is not carried out according to the Administration Agreement and without prejudice to its right to terminate the Administration Agreement pursuant to Section 12.02, the Commission may, after allowing the World Bank Group entity to submit its observations and without prejudice to Article 13, adjust its Contribution pro rata
to the actual implementation of the Project on the terms laid down in the Administration Agreement giving three (3) months' prior written notice.

**ARTICLE 18**

**Recovery**

**Section 18.01.** Upon the completion or termination of the Project for which the European Union has provided funding hereunder, the World Bank Group entity, will refund to the Commission within forty-five (45) days of receiving a written request from the latter any amounts paid in excess of the final amount due for such project (including any investment income not previously reimbursed to the Commission or to the Balance Account).

Such refund request with banking details and authorized instruction from the Commission shall be sent to the attention of the Division Manager, Trust Fund Division, Accounting Department of the World Bank. Any refund to the Commission will be done in Euro, unless the Parties agree otherwise, at the exchange rate applicable to the World Bank Group on the date of the conversion unless the Parties agree to another exchange rate in Section 7.02 of the Administration Agreement. In the event the funds are received by the Commission before such refund request is sent, the Commission will issue a refund request acknowledging their receipt.

**Section 18.02.** If the World Bank Group entity fails to repay by the due date, the sum due shall bear interest in accordance with the rules of the Commission. In case of Contributions which are Multi-Donor Trust Funds and/or Joint Management the accrued investment income may be taken into account.

**Section 18.03.** Amounts to be repaid to the Commission may be offset against amounts of any kind due to the World Bank Group entity or the Recipient, after consulting it accordingly. This shall not affect the Parties' option to agree on payment in instalments.

**Section 18.04.** Bank charges incurred by the repayment of amounts due to the Commission shall be borne entirely by the World Bank Group entity.
## ANNEX III

**PAPUA NEW GUINEA**

**Productive Partnerships in Agriculture Project**

**Indicative Budget for the Trust Fund**

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount EUR ('000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Consultants' services</td>
<td>42</td>
</tr>
<tr>
<td>(2) Goods and works</td>
<td></td>
</tr>
<tr>
<td>2.1 Goods</td>
<td>77</td>
</tr>
<tr>
<td>2.2 Works</td>
<td>1,550</td>
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<tr>
<td>(3) Training and Incremental Operating Costs</td>
<td>-</td>
</tr>
<tr>
<td>(4) Productive Partnership Grants</td>
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<tr>
<td><strong>Total Project Cost (Grant Agreement Amount)</strong></td>
<td>4,724</td>
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<tr>
<td>Bank's administration fees/costs</td>
<td>276</td>
</tr>
<tr>
<td><strong>EU Trust Fund Total (Administrative Agreement Amount)</strong></td>
<td>5,000</td>
</tr>
</tbody>
</table>