Amendment to the Administration Agreement between the Republic of Korea, acting through its Ministry of Strategy and Finance, and the International Bank for Reconstruction and Development and the International Development Association concerning the Korea Trust Fund for Economic and Peace-building Transitions (TF071368)

Dear Mr. Lee:

1. We refer to the Administration Agreement between the Republic of Korea, acting through its Ministry of Strategy and Finance (the “Donor”), and the International Bank for Reconstruction and Development (“IBRD”) and the International Development Association (“IDA”) (collectively, the “Bank”) regarding the Korea Trust Fund for Economic and Peace-building Transitions (TF071368) (the “Trust Fund”) dated October 3, 2009, as amended (the “Administration Agreement”).

2. Pursuant to recent discussions between the Bank and the Donor, the Bank proposes to amend the Administration Agreement. For this purpose, this letter shall constitute an amendment to the Administration Agreement (“Amendment”).

3. Section 12 “Communications and Addresses” of the Administration Agreement shall be amended to read as follows:

"Except as provided for in paragraph 4.2 above, any notice, request or other communication to be given or made under this Agreement shall be in writing and delivered by mail, facsimile or e-mail to the respective party’s address specified below or at such other address as such party notifies in writing to the other party from time to time:
For the Bank:

Róisín De Burea  
Senior Operations Officer  
Fragile and Conflict-Affected Countries Group  
Operations Policy and Country Services  
The World Bank  
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For the Donor:

Mr. Jangro Lee  
Director  
International Financial Institutions Division  
International Finance Bureau  
Ministry of Strategy and Finance  
Government Complex  
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Republic of Korea

Tel: + 82 -2-2150-4830  
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4. Annex 1 “Description of Activities, Expenditures and Governance Arrangement under the Korea Trust Fund for Economic and Peace-building Transitions” to the Administration Agreement shall be replaced in its entirety by Annex “Description of Activities, Expenditures and Governance Arrangement under the Korea Trust Fund for Economic and Peace-building Transitions” attached to this Amendment.

5. All other terms of the Administration Agreement shall remain the same.

6. The Bank will disclose this Amendment and related information on this Trust Fund in accordance with the World Bank Policy on Access to Information. By entering into this Amendment, the Donor consents to disclosure of this Amendment and related information on this Trust Fund.
7. Please confirm your agreement with the foregoing, on behalf of the Donor, by signing and dating the two originals of this Amendment, retaining one original for your records and returning the other original to the Bank. Upon receipt by the Bank of the original Amendment countersigned by you, this Amendment will become effective as of the date of the countersignature.

Sincerely,

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
INTERNATIONAL DEVELOPMENT ASSOCIATION

Joel Hellman
Director
Fragile & Conflict Affected States Group
Operations Policy & Country Services

AGREED:

MINISTRY OF STRATEGY AND FINANCE
OF THE REPUBLIC OF KOREA

By: [Signature]
Date: 9/10/2012

Name: Jangro Lee
Title: Director, International Finance Bureau
Description of Activities, Expenditures and Governance Arrangement under the Korea
Trust Fund for Economic and Peace-building Transitions

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

1. Objectives

The overarching goal of the Trust Fund is to address the needs of state and local
governance and peace-building\(^1\) in fragile and conflict-prone and conflict-affected situations.

Specifically the Trust Fund aims to:

A. Support measures to improve governance and institutional performance in: (i)
fragile, conflict-prone, or conflict-affected member countries of IBRD, which are either in or
emerging from arrears; (ii) areas or territories of IBRD member countries that are fragile,
conflict-prone, or conflict affected; and (iii) fragile, conflict-prone, or conflict-affected non-
members in respect of which the Executive Directors shall have determined that assistance from
IBRD or the Association or both is in the interests of the membership as a whole.

The main priorities for support would be fragile countries and areas of countries in
political, economic and social transition as well as more localized assistance to member countries
or areas of member countries that are in political transition or low intensity conflict or at risk of
conflict. Notwithstanding the above, the Trust Fund will allocate fifty percent (50%) of the
Contributions in the region comprising East Asia and the Pacific Islands.

This objective would focus on strengthening, building and rebuilding state effectiveness
through institutional strengthening and economic governance interventions\(^2\); and

B. Support the reconstruction and development of: (i) fragile, conflict-prone, or conflict-
affected member countries of IBRD; (ii) areas or territories of IBRD member countries that are
fragile, conflict-prone, or conflict affected (either in or emerging from arrears); and (iii) fragile,
conflict-prone, or conflict-affected non-members in respect of which the Executive Directors
shall have determined that assistance from IBRD or the Association or both is in the interests of
the membership as a whole. The Trust Fund will place priority on engagements in the region

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\(^1\) For the purpose of this Agreement the term "peace-building activities" means: activities that can be undertaken or
financed consistently with the Bank's mandate and legal and policy framework that include the broad spectrum of
reconstruction and institution-building efforts necessary for a country to recover from conflict and that support the
formulation of integrated strategies in order to lay the foundation for sustainable development including social and
economic reintegration of conflict-affected populations, financing labor-intensive employment initiatives, financial
support and technical assistance for economic reconstruction, and rebuilding legal and judicial systems.

\(^2\) Such activities can be those undertaken or financed consistently with the Bank's mandate and legal and policy
framework that are directed at strengthening, building, or rebuilding institutions of governance that are capable of
providing the population with transparent and accountable management of public finances and state assets,
investment in human capital and social development, the rule of law, basic services and infrastructure, and an
enabling environment for market formation, among other functions.
comprising East Asia and the Pacific Islands and will allocate fifty percent (50%) of the Contributions to this region.

This objective would place emphasis on post-conflict recovery, bridging the gap between humanitarian relief and development activities, addressing heightened conflict risk and growing tensions, designing more conflict sensitive development interventions, responding to the targeted needs of vulnerable or conflict-affected populations, and deepening the knowledge base for successful intervention via research.

2. **Activities**

Activities to be financed include, but are not limited to the following:

(a) Under objective A above:

(i) **Recipient-executed activities**: Strengthening of governance at national and subnational levels; activities relating to the transparent and accountable collection, management, and use of public resources for all government functions, including the security sector, within the Bank's mandate; creating inclusive, cohesive, and accountable institutions; support for the establishment of property rights and asset restitution mechanisms; providing initial salary support to alleviate fiscal pressure in weak states;

(ii) **Bank-executed activities**: providing leadership and technical training; and establishing assistance programs that attract diasporas, develop human capital, and facilitate south-south exchanges.

(b) Under objective B above:

(i) **Bank-executed activities and/or Recipient-executed activities**: Investment in social and economic infrastructure, community-driven development-type mechanisms and funds; social and economic integration of conflict-affected populations, including cash transfers;

(ii) **Bank-executed activities**: providing technical assistance on economic issues to peace mediation processes; employment creation and support to the private sector; access to justice and establishment of the rule of law; developing watching briefs; support to cross border public goods (such as regional integration); and support to victims of violence or conflict enduring psychological duress.

3. **Eligible Expenditures**

Categories of eligible expenditures for Bank-executed activities include: Bank staff costs (direct and indirect costs), extended term consultants costs and field benefits, short term consultant fees, contractual services, travel expenses, media and workshop costs, associated overheads, and when the provisions of the Bank's operational policy on rapid response to crises and emergencies apply for Bank execution, equipment cost or lease.
Categories of eligible expenditures for Recipient-executed activities include: the financing of taxes; goods, works, consulting, operating costs and training procured by grant to the Recipients.

4. Governance Arrangements

All grants to be made for projects to be administered under a Grant Agreement shall be processed by the State and Peace-Building Fund Committee (the “SPF Committee”) constituted pursuant to IBRD Resolution No. 2008-0002 and IDA Resolution No. 2008-0001. The SPF Committee will be supported by a secretariat (the "Secretariat") which will manage the Trust Fund. Concept Notes submitted by country teams will be endorsed by the Secretariat leading to full project/proposal preparation and a quality review process. Final proposals will be submitted to the SPF Committee for approval. The Donor and the Bank shall hold consultations once a year to agree upon a yearly strategy for the Trust fund and report on project performances.

All grants financing projects for an amount equaling or exceeding five hundred thousand United States Dollars (USD500,000) shall be submitted to the Donor’s prior approval.

Grant proposals shall be reviewed based on the following set of eligibility criteria, namely that those member countries of the Bank for which such proposals are drawn possess one or more of the following characteristics: fragile states and/or fragile situations as defined by the Country Policy and Institutional Assessment (CPIA) rating of 3.2 or lower (reflecting poor governance and weak institutional capacity); the presence of a United Nations or regional peacekeeping or political mission; current violent conflict; violent conflict within the past 10 years; insufficient IDA grant allocations during a transition process when needs are high; current situation of arrears or emerging therefrom; and deteriorating situations, including an escalating risk of falling into arrears or violent conflict.

For all grants approved pursuant to the preceding paragraph, the Bank shall, as administrator on behalf of the Donor, enter into grant agreements (the "Grant Agreements") each for the provision of Contributions for the purposes of this Agreement on terms and conditions set forth in the respective Grant Agreement. Upon the written request of the member, the Bank may act as executing agency for the recipient in carrying out the activities to be financed by the grant consistent with the Bank’s policies and procedures.