Administration Arrangement between the German Federal Ministry for Economic Cooperation and Development (BMZ) and the International Bank for Reconstruction and Development and the International Development Association concerning the Pacific Catastrophe Risk Assessment and Financing Initiative Multi-Donor Trust Fund (PCRAFI)  
(Trust Fund No. TF072622)

1. The International Bank for Reconstruction and Development and the International Development Association (collectively, the “Bank”) acknowledges that the German Federal Ministry for Economic Cooperation and Development (BMZ) (the “Donor”, and together with the Bank, the “Participants” and each a “Participant”) agrees to provide a grant in the sum of fifteen million Euro (€15,000,000) (the “Contribution”) for the Pacific Catastrophe Risk Assessment and Financing Initiative (PCRAFI), No. TF072622 (the “Trust Fund”) in accordance with the provisions of this Administration Arrangement, for the benefit of the Cook Islands, Republic of Fiji, Republic of Kiribati, the Republic of the Marshall Islands, Federated States of Micronesia, Republic of Nauru, Niue, Republic of Palau, the Independent State of Papua New Guinea, Samoa, Solomon Islands, Republic of Tonga, Tuvalu, and Republic of Vanuatu (the “Beneficiary Countries”) and other Pacific Island countries as may be agreed by the Steering Committee, in accordance with the provisions of Annex 3 of this Administration Arrangement. Other donors are also expected to contribute to the Trust Fund on the basis specified in the Annexes to this Administration Arrangement.

2. The Contribution will be used to finance the activities set forth in the “Pacific Catastrophe Risk Assessment and Financing Initiative Multi-Donor Trust Fund Description” attached hereto as Annex 1, and will be administered by the Bank on behalf of the Donor in accordance with the provisions of this Administration Arrangement, including the “Standard Provisions” attached hereto as Annex 2 and the provisions on “Governance” attached hereto as Annex 3.

3. The Donor hereby authorizes the Bank, promptly following countersignature of this Administration Arrangement, to transfer the Contribution from the Donor’s Balance Account (TF No. 059085) to the Pacific Disaster Risk Financing and Insurance Multi-Donor Trust Fund (TF072622).

4. Any notice, request or other communication to be given or made under this Administration Arrangement will be in writing and delivered by mail, fax or e-mail to the respective Participant’s address specified below or at such other address as such Participant notifies in writing to the other Participant from time to time:
For the Bank (the “Bank Contact”):

Olivier Mahul  
Program Manager  
GFMFD  
The World Bank  
2121 Pennsylvania Avenue, NW  
Washington, DC 20433  
U.S.A.  
Tel: (202) 458-2177  
Fax: (202) 522-7105  
E-mail: omahul@worldbank.org

For the Donor (the “Donor Contact”):

Frank Fass-Metz  
Deputy Director General  
Commissioner for Climate Policy and Climate Financing  
Federal Ministry for Economic Cooperation and Development

5. In the event any amounts are to be returned to the Donor under this Administration Arrangement, the Bank will transfer such amounts to the Donor, unless otherwise mutually decided with the Bank. When making any deposit, the Bank will include in its deposit details information (remittance advice) field of its SWIFT deposit message, information indicating: the amount deposited, that the deposit is made by the Bank in relation to TF072622 (PCRAFI Trust Fund), and the date of the deposit. The Bank will provide a copy of such information to the Donor.

6. At the date of Bank’s signature of this Administration Arrangement, the Indirect Rate (as defined in Annex 1 to this Administration Arrangement) is 17%.

7. All annexes hereto constitute an integral part of this Administration Arrangement, whose terms taken together will constitute the entire arrangement between the Donor and the Bank. Unless otherwise specified in an annex hereto, this Administration Arrangement may be amended only by written amendment between the Bank and the Donor; provided, however, that any annexes to this Administration Arrangement may be amended only by written amendment of all donors contributing to the Trust Fund.

8. It is understood that this Administration Arrangement, including any annexes, is not an international treaty and is not eligible for registration as a treaty under Article 102 of the United Nations Charter. It is an administrative arrangement between the Bank and the Donor.

9. All references made in the Annexes to “shall”, “Administration Agreement” and “Parties” will have the same meaning as the term “will”, “Administration Arrangement” and “Participants” herein. In addition, references in the Annexes to “agreements” or to tenses of the verb “to agree” will be deemed to constitute references to “decisions” or to tenses of the verb “to decide”.

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10. Each of the Participants represents, by confirming its acceptance below, that it is authorized to enter into this Administration Arrangement and act in accordance with its provisions. The Bank and the Donor are requested to sign and date this Administration Arrangement, and upon possession by the Bank of this fully signed Administration Arrangement, this Administration Arrangement will become into effect as of the date of the last signature.

**International Bank for Reconstruction and Development**  
**International Development Association**

By:  
Name: Mona Sur  
Title: Acting Country Director  
Timor-Leste, Papua New Guinea and Pacific Islands  
East Asia and Pacific Region  
Date: 2 June 2016

**German Federal Ministry for Economic Cooperation and Development (BMZ)**

By:  
Name: Frank Fass-Metz  
Title: Deputy Director General  
Commissioner for Climate Policy and Climate Financing  
Date: 02/06/16
Pacific Catastrophe Risk Assessment and Financing Initiative Multi-Donor Trust Fund
Program Description

This Annex will be applicable to and form an integral part of all administration arrangements for the Trust Fund (collectively, the “Administration Arrangements” and each an “Administration Arrangement”) between the Bank and any entities that provide any funds to the Trust Fund (collectively, the “Donors”).

1. **Definition**

   (a) “Insurance Payout” means any payment made by PCRAFI Facility to a Beneficiary Country pursuant to the Insurance Contract, and calculated on the basis of modelling disaster losses of a Beneficiary Country.

   (b) “Insured Events” means any disaster and climate-related event covered by insurance, as specified in the Insurance Contracts.

   (c) “Insurance Contract” means the agreement entered into between the PCRAFI Facility and a Beneficiary Country, for insurance coverage of Insured Events.

   (d) “PCRAFI Facility” or “Pacific Catastrophe Risk Assessment and Financing Initiative Facility” means a company to be established to provide disaster and climate-related risk insurance for the Beneficiary Countries and to improve affordability of high quality sovereign catastrophe risk transfer associated with Insured Events.

2. **Objectives**

   The objective of the Trust Fund is to increase the financial resilience of the Beneficiary Countries against natural disasters and their capacity to meet post-disaster funding needs.

3. **Activities**

   The activities to be financed by the Trust Fund are:

3.1 Bank-executed activities, for which the Bank has implementation responsibility:

   (a) Program management and administration activities for the Trust Fund, including but not limited to, supporting any program governance arrangements and Trust Fund related meetings; planning and executing work plans and budgets; managing communications and conducting outreach; disseminating lessons learned; reporting on progress; and monitoring and evaluating the program.

   (b) Supervision of recipient-executed activities.
(c) **Technical Assistance for Institutional Capacity Building on Disaster Risk Financing and Insurance**

Strengthening the institutional capacity of the PCRAFI Facility, national and regional level organizations and the ministries of finance in coordination with other relevant ministries of the Beneficiary Countries, which will build on existing Bank-supported disaster risk reduction and climate change adaptation activities, so to ensure comprehensive risk management approaches, including:

(i) technical assistance to the PCRAFI Facility to support its operations after its establishment, including insurance product development;

(ii) regional level technical assistance on disaster risk financing to regional agencies of the Council of Regional Organizations of the Pacific (e.g. Secretariat of the Pacific Community, Secretariat of the Pacific Regional Environment Program, Pacific Islands Forum Secretariat); and

(iii) national level technical assistance for the ministries of finance in coordination with other relevant ministries of the Beneficiary Countries for the development of: (A) disaster risk financing tools; (B) fiscal and actuarial models to help assess the fiscal exposure to natural disasters; (C) national disaster risk financing strategies; and (D) contingency planning and post disaster public financial management, including post disaster budget execution, mobilization and reporting.

3.2 Recipient-executed activities, for which one or more Recipients (as defined in Annex 2) have implementation responsibility support the following activities and other activities, which may be identified in accordance with the Bank’s applicable policies and procedures and decided between the Bank and the Donors:

(a) **Establishment of the PCRAFI Facility**

Provision of technical and financial support for the establishment and operations of the PCRAFI Facility, including professional service fees, registration fees audit costs and other related fees, in order (i) to provide disaster and climate-related risk insurance for the Beneficiary Countries; and (ii) to improve affordability of high quality sovereign catastrophe risk transfer associated with disaster and climate-related events.

(b) **Capitalization of the PCRAFI Facility**

Support the phased capitalization of the PCRAFI Facility with the injection of capital conditional on its developing capacity and achievement of key milestones. The capacity of the PCRAFI Facility and achievement of key milestones will be identified and agreed with the Steering Committee. The purpose of the phased capitalization is, among other things, to enable the PCRAFI Facility to:
(i) retain risk to Beneficiary Countries;
(ii) make Insurance Payout rapidly and be partially reimbursed by the reinsurers; and
(iii) earn income on the capital.

(c) **Development of Disaster Risk Insurance Products**

Carrying out of a program of activities for the development, refinement and implementation of geophysical and climate-related risk insurance products, including:

(i) parametric geophysical insurance to support the PCRAFI Facility to design and/or modify insurance products to provide coverage against major geophysical events and associated sub-hazards;

(ii) parametric climatic insurance to support the PCRAFI Facility to design and/or modify insurance products to provide coverage against major hydro-meteorological events and associated sub-hazards; and

(iii) mutual disaster risk insurance to support the PCRAFI Facility to design mutual disaster risk insurance products (such as hybrid disaster risk insurance product to cover medium sized disasters).

(d) **Institutional Capacity Building on Disaster Risk Financing and Insurance**

Strengthening the institutional capacity of the PCRAFI Facility, national and regional level organizations and the ministries of finance in coordination with other relevant ministries of the Beneficiary Countries, including national level technical assistance for the ministries of finance of the Beneficiary Countries, in coordination with those ministries responsible for disaster risk management of the activities related to the development of: (i) disaster risk financing tools; (ii) fiscal and actuarial models to help assess the fiscal exposure to natural disasters; (iii) national disaster risk financing strategies; and (iv) contingency planning and post disaster public financial management, including post disaster budget execution, mobilization and reporting.

(e) **Monitoring and Evaluation of the PCRAFI Insurance Payouts**

Monitoring in the event of Insurance Payout, the Insurance Payout process, the execution process, and the responses among the Beneficiary Countries.
4. **Eligible Expenditures**

4.1 For Bank-executed activities, the Trust Fund funds may be used to finance:

(a) contractual services;
(b) equipment and office premises lease cost;
(c) media, workshops, conferences and meetings;
(d) travel expenses;
(e) short-term consultants and temporaries;
(f) extended term consultants and temporaries; and
(g) staff costs (excluding short term consultants and temporaries, and also excluding extended term consultants and temporaries).

4.2 For purposes of this section: (i) “staff costs (excluding short term consultants and temporaries, and also excluding extended term consultants and temporaries)” includes salaries, benefits and indirect rates charged to the Trust Fund as applicable under Bank policies and procedures; (ii) “extended term consultants and temporaries” includes fees, benefits and indirect rates charged to the Trust Fund as applicable under Bank policies and procedures; and (iii) “short term consultants and temporaries” includes fees and indirect rates charged to the Trust Fund as applicable under Bank policies and procedures.

4.3 The “Indirect Rate” means the indirect rate, defined as a percentage of personnel costs and available at the World Bank’s Donor center secure website, as such rate may be revised from time to time by the Bank and applied to this Trust Fund, in accordance with its policies and procedures.

4.4 For Recipient-executed activities, the Trust Fund funds may be used to finance:

(a) Consultants’ Services;
(b) Goods;
(c) Training;
(d) Operating Costs;
(e) Conditional Cash Transfers; and
(f) Other eligible expenditures in accordance with the Bank’s applicable policies and procedures.

5. **Taxes**

5.1 The foregoing activities and categories of expenditures may include the financing of taxes in accordance with the Bank’s applicable policies and procedures.

6. **Program Criteria**

6.1 Activities will be selected for financing under this Trust Fund in accordance with the following program criteria: (a) contribution to achieving the objectives of the Trust Fund and the Trust Fund results framework as outlined in the PCRAFI Multi-Donor Trust Fund Implementation Plan, which sets out the partnership principles and Trust Fund procedures (“PCRAFI Implementation Plan”).
Plan’); and (b) alignment with strategic priorities as defined by the Steering Committee described in Annex 3 of this Administration Arrangement.
ANNEX 2

Standard Provisions

This Annex will be applicable to and form an integral part of all Administration Arrangements between the Bank and the respective Donors.

1. Administration of the Contributions

1.1 The Bank will be responsible only for performing those functions specifically set forth in this Administration Arrangement, including its annexes, 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 Administration Arrangement will be considered a waiver of any privileges or immunities of the Bank under its Articles of Agreement or any applicable law, all of which are expressly reserved.

1.2 Each Donor’s Contribution (collectively, the “Contributions”) 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 procurement, financial management, disbursement and safeguard policies, 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 Donors acknowledge 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 a Donor.

2. Management of the Contributions

2.1 The funds deposited in the Trust Fund will be accounted for as a single trust fund and will be kept separate and apart from the funds of the Bank. The funds deposited in the Trust Fund may be commingled with other trust fund assets maintained by the Bank. The Bank, in its capacity as trustee, has legal title to the funds deposited in the Trust Fund.

2.2 The currency in which the funds in the Trust Fund will be held is United States Dollars (the “Holding Currency”).

2.3 Donors agree to deposit their Contributions in the Contribution Currency stated in their respective Administration Arrangements. In the case of deposits received in a Contribution Currency other than the Holding Currency, promptly upon the receipt of such amounts and the accompanying Deposit Instructions, the Bank will convert such amounts into the Holding Currency at the exchange rate obtained by the Bank on the date of the conversion. Where deposits prove to be insufficient to complete activities as a result of exchange rate fluctuations, neither the Bank nor the Donor will bear any responsibility for providing any additional financing.
2.4 The funds deposited in the Trust Fund may be freely exchanged by the Bank into other currencies as may facilitate their disbursement at the exchange rate obtained by the Bank on the date of the conversion.

2.5 The Bank will invest and reinvest the funds deposited in the Trust Fund pending their disbursement in accordance with the Bank’s applicable policies and procedures for the investment of trust funds administered by the Bank. The Bank will credit all income from such investment to the Trust Fund to be used for the same purposes as the Contributions.

3. **Accounting and Financial Reporting**

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

3.2 The Bank will furnish to the Donors current financial information relating to receipts, disbursements and fund balance in the Holding Currency with respect to the Contributions via the World Bank’s Trust Funds Donor Center secure website which be updated quarterly. 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 with respect to the Contributions will be made available to the Donors via the World Bank’s Trust Funds Donor Center secure website.

3.3 The Bank will provide to the Donors via the World Bank’s Trust Fund Donor Center secure website, within six (6) months following the end of each Bank fiscal year, an annual single audit report, comprising (i) 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 (ii) 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.

3.4 If a Donor wishes to request, on an exceptional basis, a financial statement audit by the Bank’s external auditors of the Trust Fund, the Donor and the Bank will first consult as to whether such an external audit is necessary. The Bank and the Donor will agree on the appropriate scope and terms of reference of such audit. Following agreement on the scope and terms of reference, the Bank will arrange for such external audit. The costs of any such audit, including the internal costs of the Bank with respect to such audit, will be borne by the requesting Donor.

3.5 The Bank will make available to the Donors copies of all financial statements and auditors’ reports received by the Bank from Recipients pursuant to any Grant Agreements (as defined below) in accordance with the Bank’s Access to Information Policy.

4. **Progress Reporting**

4.1 The Bank will provide the Donors with annual written progress reports. The progress reports will be provided with reference to the results framework agreed by the Bank and the Donors, as such results framework may be reviewed by the Participants from time to time. Within (6) months of the
End Disbursement Date (as defined below), the Bank will provide to the Donors with a final narrative report for the Trust Fund. In addition, the Bank will promptly convey to the Donors written reports received from the PCRAFI Facility when Insurance Payouts are made to a Beneficiary Country(ies).

4.2 Any Donor may review or evaluate activities financed by the Trust Fund at any time up to six (6) months following the End Disbursement Date of 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 the Bank's applicable policies and procedures. All associated costs, including any costs incurred by the Bank, will be borne by the Donor. It is understood that any such review or evaluation not constitute a financial, compliance or other audit of the Trust Fund.

5. **Disbursement; Cancellation; Refund**

5.1 It is expected that the funds deposited in the Trust Fund will be fully disbursed by the Bank by December 31, 2021 (the “End Disbursement Date”). The Bank will only disburse funds deposited in the Trust Fund for the purposes of this Administration Arrangement (other than returns to Donors) after such date to the extent such date is changed in accordance with amendments made to the Administration Arrangements of all the Donors. Following the End Disbursement Date, the Bank will return any remaining balance of the Trust Fund to each Donor in the Holding Currency in the manner specified in its respective Administration Arrangement on a pro rata basis with regard to the total funds deposited in the Trust Fund by such Donor relative to the total funds deposited in the Trust Fund by all Donors, all calculated as Holding Currency amounts.

5.2 Any Donor may cancel all or part of such Donor’s pro rata share, and the Bank may cancel all or any Donors’ pro rata shares, upon three (3) months’ prior written notice, of any Contributions (paid and not yet paid) that are not committed pursuant to any agreements entered into between the Bank and any consultants and/or other third Participants for the purposes of this Administration Arrangement, including any Grant Agreements, prior to the receipt of such notice. In the event of a cancellation, the Bank will return to the Donor its pro-rata share in the Holding Currency as specified in paragraph 2.2. of this Annex 2; unless otherwise agreed between the Bank and the Donor.

6. **Disclosure; Dispute Resolution**

6.1 The Bank will disclose the Administration Arrangements and related information on this Trust Fund in accordance with the Bank’s Policy on Access to Information. By entering into Administration Arrangements, the Donors consent to such disclosure of their respective Administration Arrangements and such related information.

6.2 The Donors and the Bank will use their best efforts to amicably settle any dispute, controversy, or claim arising out of or relating to the Administration Arrangements.
7. **Grants to Recipients**

7.1 The Bank will, as administrator of the Trust Fund on behalf of the Donors, enter into one or more grant agreements (the “Grant Agreements”) with recipients (the “Recipients”) consistent with the purposes of this Administration Arrangement and on the terms and conditions set forth in the Grant Agreements. Grant Agreements may be entered into up to the maximum amount of the Contributions that all Donors have agreed to make available under the Administration Arrangements between the Bank and the Donors.

7.2 The Bank will be responsible for the supervision of the activities financed under any Grant Agreements. Subject to the consent of any relevant Recipients, representatives of the Donors 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 Donors of any significant modification to the terms of any Grant Agreements and of any contractual remedies that are exercised by the Bank under any Grant Agreements. To the extent practicable, the Bank will afford the Donors the opportunity to exchange views before effecting any such modification or exercising any such remedy.

8. **Trust Fund Fee**

8.1 The Bank will calculate a fee each time funds (the “Grant Amount”) from the Trust Fund become committed under a Grant Agreement. Such commitment will occur when such Grant Agreement is fully countersigned (the “Calculation Date”). The fee so calculated by the Bank will be based on the cumulative total of funds from the Trust Fund committed under all Grant Agreements that have been fully countersigned on or prior to the Calculation Date (the “Cumulative Grant Total”). The calculated fee will depend on where the Cumulative Grant Total stands as the Grant Amount is added and will be determined in accordance with the following schedule:

- (i) 5% of any portion of the Grant Amount that results in a Cumulative Grant Total below or equal to US$ 50 million or equivalent; plus
- (ii) 4% of any portion of the Grant Amount that results in a Cumulative Grant Total above US$ 50 million or equivalent and below or equal to US$ 500 million or equivalent; plus
- (iii) 3% of any portion of the Grant Amount that results in a Cumulative Grant Total above US$ 500 million or equivalent and below or equal to US$ 1 billion or equivalent; plus
- (iv) 2% of any portion of the Grant Amount that results in a Cumulative Grant Total above US$ 1 billion or equivalent.

8.2 Following each Calculation Date, the Bank will deduct from the Trust Fund, and retain for its own account, the fee as set forth above. Grant Amounts may not exceed the balance of uncommitted funds in the Trust Fund net of the related fee.
Governance

This Annex will be applicable to and form an integral part of all Administration Arrangements between the Bank and the respective Donors.

1. Steering Committee

(a) A Steering Committee ("SC") will be established for the purposes of the Trust Fund, composed of one (1) representative of each contributing Donor, up to two (2) representatives of the Beneficiary Countries as observers, and one (1) representative of the Bank.

(b) The SC will be chaired by the Bank and will meet annually or more often as required to: (i) provide strategic direction and general oversight of the progress of activities supported or proposed to be supported under the Trust Fund; (ii) decide on the conditions for joining and the acceptance of new donors and additional beneficiary countries to the Trust Fund; (iii) identify the conditions and milestones to be achieved for phased capitalization of the PCRAFI; (iv) periodically review and approve the PCRAFI Implementation Plan prepared by the Bank; and (v) periodically review and provide feedback on reports on the progress of preparation or implementation of activities supported or proposed to be supported under the Trust Fund in accordance with mutually decided results frameworks, and subject to the Bank's applicable policies and procedures on project supervision.

2. Decision-making

Decisions of the SC will be made by consensus. The members of the SC will make every effort to reach consensus. When the members of the SC do not reach consensus, discussion on the associated issue(s) continues to take the process toward consensus.