Swiss State Secretariat for Economic Affairs
Embassy of Switzerland
Attn. Ambassador Alain Guidetti
9 Boyuk Gala Street, Icheri Sheher
AZ 1004 Baku, Azerbaijan

Trust Fund Administration Agreement between the Government of the Swiss Confederation ("Switzerland") and the International Bank for Reconstruction and Development and the International Development Association concerning financing of the Supreme Audit Institution Development component of the Corporate and Public Sector Accountability Project (CAPSAP) for the Republic of Azerbaijan (Trust Fund No. TF071348)

Excellency:

1. We are pleased to acknowledge on behalf of the INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT ("IBRD") and the INTERNATIONAL DEVELOPMENT ASSOCIATION ("IDA") (collectively, the "Bank"), that the Government of the Swiss Confederation (the "Donor") shall make available as a grant the sum of two million United States dollars (USD2,000,000) (the "Contribution"), to be administered by the Bank for the financing of the Supreme Audit Institution Development component of the CAPSAP (Trust Fund No.TF071348) in accordance with the terms of this Agreement.

2. Activities and Expenditures Financed by the Contribution

2.1. The Contribution shall be used for financing services and goods to be made available to the Chamber of Accounts, the Supreme Audit Institution of Azerbaijan, to strengthen its capacity as well as to increase transparency and accountability in managing public resources in accordance with the CAPSAP Project Appraisal Document and the Project Log-frame, the latter being an integral part of this Agreement (Annex).

2.2. The Contribution shall be used to finance goods, consultants’ services, operating costs and training for the following components:

(i) Technical assistance to strengthen institutional capacity. A portion of the Contribution amounting to USD 1,665,000 shall be allocated to this category of expenditure.

(ii) Equipment procurement. A portion of the Contribution amounting to USD 200,000 shall be allocated to this category of expenditure.

2.3. If, in the Bank’s opinion, an amount of the Contribution funds allocated to any of the expenditure categories will be insufficient to finance the expenditures for such category, the Bank may reallocate to such category an amount of the Contribution funds then allocated to another category which, in the Bank’s opinion, will not be necessary to meet other expenditures.
In these circumstances, the Bank shall preliminarily request the Donor for “no objection” for such a reallocation.

3. **Administration of the Contribution**

3.1. The Contribution shall be administered by the Bank on behalf of the Donor in accordance with the terms of this Agreement. The Bank shall be responsible only for performing those functions specifically set forth in this Agreement and shall not be subject to any other duties or responsibilities to the Donor, including, without limitation, any duties or obligations that might otherwise apply to a fiduciary or trustee under general principles of trust or fiduciary law. Nothing in this Agreement shall be considered a waiver of any privileges or immunities of the IBRD and IDA under their Articles of Agreement or any applicable law, all of which are expressly reserved.

3.2. The Contribution shall be administered in accordance with the Bank’s applicable policies and procedures, as the same may be amended from time to time, including its framework to prevent and combat fraud and corruption and its screening procedures to prevent the use of Bank resources to finance terrorist activity, in line with the Bank’s obligations to give effect to the relevant decisions of the Security Council, taken under Chapter VII of the Charter of the United Nations. The Donor acknowledges that this provision does not create any obligations of the Bank under the anti-terrorist financing and asset control laws, regulations, rules and executive orders of an individual member country that may apply to the Donor, nor shall it be deemed a waiver, express or implied, of any of the privileges and immunities of the Bank.

4. **Deposit of the Contribution**

4.1. The Donor shall deposit the Contribution into such bank account designated by the Bank promptly following submission of a payment request by the Bank according to the following payment schedule and payment conditions:

- **First installment (USD 600,000):** following countersignature of this Agreement by the Donor;

- **Second installment (USD 700,000):** (i) the legislative framework for the Chamber of Accounts has been analyzed, gap report delivered and amendments proposed to the government/Ministry of Finance; and (ii) the possibility of future access to the Treasury Information Management System has been assessed and, if applicable, relevant proposals made to the government/Ministry of Finance.

- **Third installment (maximum USD 700,000):** (i) the Chamber of Accounts has been provided with appropriate expertise to assist them with the implementation of INTOSAI or INTOSAI-based standards (provided the standards were adopted by relevant legislation); and (ii) the number of qualified in-house trainers of the Chamber of Accounts, as well as improved procedures and regulations of the institution, demonstrate the progress and sustainability of the capacity-building component of the Project. The second and third installment shall be adapted to the revised procurement plan for phase two of the Project.

4.2. When making such deposits, the Donor shall instruct its bank to include in its payment details information (remittance advice) field of its SWIFT payment message, information indicating: the amount paid, that the payment is made by the Donor for TF071348 (Corporate and Public Sector Accountability Project in Azerbaijan), and the date of the deposit. In addition,
5. **Commingling, Exchange and Investment of the Contribution**

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

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

5.3. The Bank shall invest and reinvest the Contribution pending their disbursement in accordance with Bank’s policies and procedures for the investment of trust funds administered by Bank. The Bank shall credit all income from such investment to a separate, single trust fund (Switzerland Balance Account) TF059035, which the Bank may also invest.

6. **Administrative Cost Recovery**

6.1. In order to assist in the defrayment of the costs associated with the establishment of this Agreement, the Bank may, following deposit of the Contribution by the Donor, deduct from the Contribution and retain for the Bank’s own account an amount equal to thirty-five thousand United States dollars (US$35,000).

6.2. In order to assist in the defrayment of the costs of administration and other expenses incurred by the Bank under this Agreement, the Bank may, following deposit of the Contribution by the Donor, deduct from the Contribution and retain for the Bank’s own account an amount equal to five percent (5%) of the Contribution.

7. **Grants to Recipient**

7.1. The Bank shall, as administrator on behalf of the Donor, enter into a grant agreements (the “Grant Agreements”) with the Republic of Azerbaijan (the “Recipient”) for the provision of Contribution funds for the purposes of this Agreement and on the terms and conditions set forth in the Grant Agreements. The Bank shall furnish a copy of the Grant Agreements to the Donor.

7.2. The Bank shall be solely responsible for the surveillance of Project activities under the Grant Agreements.

8. **Employment of Consultants and Procurement of Goods**

The employment and supervision of consultants and the procurement of goods financed by the Contribution shall be the responsibility solely of the Bank and shall be carried out in accordance with its applicable policies and procedures. The Grant Agreements shall provide that the Contribution shall be used by the Recipient to finance expenditures for goods and services, as the case may be, in accordance with the World Bank’s Guidelines on “Procurement under IBRD Loans and IDA Credits” and the World Bank’s Guidelines on the “Selection and Employment of Consultants by World Bank Borrowers,” as in effect on the date of the Grant Agreements.

9. **Accounting and Financial Reporting**

9.1. The Bank shall maintain separate records and ledger accounts in respect of the Contributions deposited by the Donor in the trust fund account and disbursements therefrom. Separate records and ledger accounts shall be kept for each trust fund.

9.2. The Bank shall furnish to the Donor current financial information relating to receipts, disbursements and fund balance in United States Dollars with respect to the Contribution via the World Bank’s Trust Funds Donor Center secure website. Within six (6) months after all commitments and liabilities under the trust fund have been satisfied and the trust fund has been
closed, a final financial report relating to receipts, disbursements and fund balance in United States Dollars with respect to the Contribution will be furnished by the Bank to the Donor.

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

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

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

9.6. The Donor may conduct an external evaluation of the Project. The costs of any such an evaluation shall be paid by the Donor.

10. Coordination and Project Reporting
10.1. The Bank shall provide the Donor with semi-annual reports on the progress of activities financed by the Contribution. The Donor shall be duly informed about the missions of consultants procured and financed by the Contribution, as well as provided with a copy of all reports produced by aforementioned consultants. Representatives of the Donor may participate at any mission or policy dialogue with the Project Beneficiary within the Project. The Donor may also ask for a meeting with the PMU at any moment in time. In any such meeting, the World Bank may also be present. Within six (6) months of the final disbursement date specified in paragraph 11.1, the Bank shall furnish to the Donor a final report on the Project activities.
10.2. The Bank shall promptly inform the Donor of any significant modification to the terms of the Grant Agreements and of any contractual remedy that is exercised by the Bank under the Grant Agreements. To the extent practicable, the Bank shall afford the Donor the opportunity to exchange views before effecting any such modification or exercising any such remedy.
10.3. The Donor is entitled to participate at the Steering Committee Meetings that are held in the frame of the Supreme Audit Institution Development component of the CAPSAP. If participation by the Donor in the Steering Committee is not possible, a semi-annual project review shall be held with the participation of the Beneficiary, the Bank and the Donor. Such reviews would be based on the log-frame which has been developed for the SECO-financed component.

11. Disbursement Deadline; Cancellation; Refund
11.1. It is expected that the Contribution will be fully disbursed by the Bank in accordance with the provisions of this Agreement by June 30, 2013. The Bank shall only disburse the
Contribution for the purposes of this Agreement after such date with the written approval of the Donor.

11.2. Either party may, upon three (3) months’ prior written notice, cancel all or part of any remaining balance of the Contribution that is not committed pursuant to any agreements entered into between the Bank and any consultants and/or other third parties for the purposes of this Agreement prior to the receipt of such notice, including the Grant Agreements.

11.3. Upon the final disbursement date specified in paragraph 11.1, or upon the date of cancellation of uncommitted Contribution funds in accordance with paragraph 11.2, as the case may be, the Bank shall return any remaining or cancelled balance of the Contribution funds, as the case may be, to the Donor.

12. Communications and Addresses

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. The offices responsible for coordination of all matters related to the implementation of this Agreement are:

For the Bank: Jan Tyl
Senior Financial Management Specialist
ECCAT, Europe and Central Asia Region
International Bank for Reconstruction and Development
Tel.: +43-1-217-0727
E-mail:jtyl@worldbank.org

For the Donor: Swiss State Secretariat for Economic Affairs
Economic Cooperation and Development
Macroeconomic Support
Effingerstr. 1
3003 Bern
Switzerland
Tel: +41 31 324 07 94
E-mail: info.wemu.cooperation@seco.admin.ch

13. Amendment

This Agreement may be amended only by written agreement between the Bank and the Donor.

14. Disclosure

The Bank may disclose this Agreement and information on this Trust Fund in accordance with the Bank’s policy on disclosure of information, in effect at the time of such disclosure. By entering into this Agreement, the Donor consents to disclosure of this Agreement and information on this Trust Fund.

Please confirm your agreement with the foregoing, on behalf of the Donor, by signing, dating, and returning to us the enclosed copy of this Agreement. Upon receipt by the Bank of the copy of this Agreement countersigned by you, this Agreement will become effective as of the date of the countersignature.

Sincerely,

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
AGREED:
GOVERNMENT OF THE SWISS CONFEDERATION
By: /s/ Alain Guidetti

Name: Alain Guidetti
Title: Ambassador
Date: August 5, 2010