Ms. Vesna Pusić
First Deputy Prime Minister and
Minister of Foreign and European Affairs
Ministry of Foreign and European Affairs
Trg N.Š. Zrinskog 7-8
Zagreb 10 000
Republic of Croatia

Trust Fund Administration Agreement between the Republic of Croatia and the International Bank for Reconstruction and Development and the International Development Association concerning the Partnership for Infrastructure Development in the West Bank & Gaza Multi-Donor Trust Fund (TF No.071898)

Dear Ms. Pusić:

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 Republic of Croatia (represented by the Croatian Ministry of Foreign and European Affairs) (the “Donor”) shall make available as a grant the sum of one hundred thousand United States Dollars (USD100,000) (the “Contribution”) for the Partnership for Infrastructure Development in the West Bank and Gaza Multi-Donor Trust Fund (the “Trust Fund”) in accordance with the terms of this Agreement. Other donors are also expected to contribute to the Trust Fund on the terms and conditions specified in the Annexes to this Agreement.

2. The Contribution shall be used to finance the activities and the categories of expenditure set forth in the “Description of Activities, Expenditures and Governance Arrangements for the Partnership for Infrastructure Development in the West Bank and Gaza Multi-Donor Trust Fund” attached hereto as Annex 1, and shall be administered by the Bank on behalf of the Donor in accordance with the terms of this Agreement including the “Standard Provisions Applicable to the Partnership for Infrastructure Development in the West Bank and Gaza Multi-Donor Trust Fund” (the “Standard Provisions”) attached hereto as Annex 2.

3. The Donor shall deposit the entire Contribution into a bank account designated by the Bank upon submission of a payment request by the Bank.

4. When making such deposit, 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 TF071898 (the Partnership for Infrastructure Development in the West Bank and Gaza Multi Donor Trust Fund), and the date of the deposit (the “Deposit Instruction”). In addition, the Donor shall provide a copy of the Donor’s Deposit Instruction to the Bank’s Accounting Trust Funds Division by e-mail sent to tfremitadvice@worldbank.org or by fax sent to (202) 614-1315.

5. Except as provided for in paragraph 4 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:

RCA 248423 (L) WUI 64145 (L) FAX (202) 477-6391
For the Bank:

Country Director, West Bank and Gaza
The World Bank
1818 H Street, NW
Washington, DC 20433
U.S.A.

Tel: +972 2 236 6500
E-mail: Sjorgensen@worldbank.org

For the Donor:

Ms. Vesna Batistić Kos
Assistant Minister for Multilateral Affairs and Global Issues
Ministry of Foreign and European Affairs of the Republic of Croatia
Republic of Croatia

Tel: 00385-1-4569-839
Fax: 00385-1-4597-416
E-mail: vkos@mvep.hr; provedba@mvep.hr

6. All annexes hereto constitute an integral part of this Agreement. This Agreement may be amended only in writing between the Bank and the Donor; provided, however, that such annexes may be amended only with the agreement of all donors contributing to the Trust Fund.
7. 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
INTERNATIONAL DEVELOPMENT ASSOCIATION

[Signature]

Steen Lau Jorgensen
Country Director
West Bank & Gaza
Middle East and North Africa Region

AGREED:

MINISTRY OF FOREIGN AND EUROPEAN AFFAIRS
(REPUBLIC OF CROATIA)

[Signature]

By: __________________________

Name: _______________________

Title: _________________________

Date: _________________________
ANNEX I

Description of Activities, Expenditures and Governance Arrangements
for the Partnership for Infrastructure Development in the
West Bank & Gaza Multi Donor Trust Fund

This Annex shall be applicable to and form an integral part of all agreements entered into
between the Bank and entities (collectively, the “Donors”) that provide contributions (the
aggregate of all contributions from the Donors, the “Contributions”) to be administered by the
Bank for the Trust Fund.

A. DESCRIPTION OF ACTIVITIES

The main objective of the Trust Fund is to improve the coverage, quality, and
sustainability of infrastructure in the West Bank and Gaza through financial and technical
assistance to the Palestinian Authority (PA) for infrastructure development and related capacity
building and institutional development in the water, sanitation, urban development, and energy
sectors.

1. Bank-Executed Activities:

   (a) Provision of analytical and advisory services and technical assistance;
   (b) Supervision of Recipient-executed activities;
   (c) Management of the Trust Fund;
   (d) Administration of Trust Fund.

2. Recipient-Executed Activities:

   (a) The Trust Fund will provide co-financing, technical assistance, and capacity
       building in the following sectors:

      (i) Water Supply and Sanitation
      (ii) Urban Development
      (iii) Energy

   (b) Project Preparation

B. CATEGORIES OF EXPENDITURE

1. For Bank-Executed activities the Contributions may be used to finance:

   (a) Consultant fees (individual and firms);
   (b) Staff costs with in-directs;
   (c) Contractual services;
   (d) Extended term consultants;
   (e) Temporary support staff costs;
   (f) Media, workshop, conference and meeting;
   (g) Travel expenses; and
   (h) Associated overheads.
2. For Recipient-Executed activities, the Contributions may be used to finance:

(a) Civil works;
(b) Goods;
(c) Consultants' Services;
(d) Incremental Operating Costs; and
(e) Training and Workshops.

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

C. GOVERNANCE

1. The Bank shall have ultimate responsibility for decisions regarding the allocation of financial resources from the Trust Fund to specific projects, analytical and advisory activities in accordance with the terms and conditions specified in this Agreement.

2. Activities to be supported by the Trust Fund shall be subject to the Bank's standard supervision and progress reporting requirements applicable to Bank-financed projects.

3. To ensure that the Donors and national-level Palestinian stakeholders are well informed of the scope and progress of the activities financed through the Trust Fund an inter-agency oversight group for the Trust Fund chaired by a representative of the Bank and comprising of representatives from the Ministry of Finance and the Ministry of Planning and Development of the Palestinian Authority and the respective Donors' agencies shall be established ("Oversight Group"). The role of the Oversight Group shall be advisory in nature and it shall among other functions include: (i) oversight of the performance and outcomes of the activities financed by the Trust Fund; and (ii) carrying out annual reviews of the trust fund activities and management.

4. The Oversight Group shall meet twice a year or as frequently as may be determined by its chairperson.

5. To assess the effectiveness of the financing modality of the activities financed by the Trust Fund an independent evaluation of the Trust Fund's performance shall be carried out after the first 18 months of implementation.

6. The project team assigned by the Bank to supervise the Trust Fund activities ("Project Team") shall provide the Oversight Group with summaries of bi-annual operational reports on the progress made in achieving the objectives of the activities financed by the Trust Fund.

7. Donors' representatives in the Oversight Group are encouraged to take part in the Bank's supervision missions for specific projects that are financed through the Trust Fund.

8. The Oversight Group shall be briefed by the Project Team on any issues that may require strategic adjustments to the Trust Fund, such as significant changes in the way the Trust Fund is structured and the scope of activities to be supported (for example, including new activities or sectors in addition to those specified in Part A of this Annex 1).

9. Subject to the Bank's Access to Information Policy, the Donors shall have access to all Trust Fund documents, such as applications for financing, minutes of Oversight Group meetings, terms of reference, and various progress and completion reports related to the activities financed by the Trust Fund.
Standard Provisions Applicable to the Partnership for Infrastructure Development in the West Bank & Gaza Multi Donor Trust Fund

This Annex shall be applicable to and form an integral part of all agreements entered into between the Bank and the Donors that provide Contributions to be administered by the Bank for the Trust Fund.

1. Administration of the Contributions

1.1. 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 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 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.

1.2. 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.

2. Commingling, Exchange and Investment of the Contributions

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

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

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

3. Administrative Cost Recovery

3.1. 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 deduct and retain for its own account an amount equal to two percent (2%) of each Contribution. In addition, costs for program management as defined in Annex 1 up to a maximum of three percent (3%) of each Contribution will be charged to the Trust Fund on an actual basis. If the contributions increase beyond what
was originally expected at the time of counter-signature of the first administration agreement, and the administrative costs increase as a result, the Donors acknowledge that an additional administrative fee may be applied to such new contributions.

4. **Grants to Recipient**

4.1. The Bank shall, as administrator of the Trust Fund on behalf of the Donors, enter into grant agreements (the “Grant Agreements”) with the Palestine Liberation Organization, for the benefit of the Palestinian Authority (the “Recipient”), in accordance with the governance terms of Annex I consistent with the purposes of this Agreement 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 Agreements between the Bank and the Donors. Upon request by a Donor, the Bank shall furnish a copy of the Grant Agreements to the Donors.

4.2. The Bank shall be responsible for the supervision of the activities financed under the Grant Agreements. Subject to the consent of the Recipient, representatives of the Donors may be invited by the Bank to participate in Bank supervision missions related to the Trust Fund.

4.3. The Bank shall 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 shall afford the Donors the opportunity to exchange views before effecting any such modification or exercising any such remedy.

5. **Procurement**

5.1. For Recipient-executed activities, the Grant Agreements shall provide that the Contributions shall be used by the Recipient to finance expenditures for goods and services, as the case may be, in accordance with the Bank’s Guidelines on “Procurement under IBRD Loans and IDA Credits” and the Bank’s Guidelines on the “Selection and Employment of Consultants by World Bank Borrowers,” as in effect at the date of entry into the respective Grant Agreements.

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

6. **Accounting and Financial Reporting**

6.1. The Bank shall maintain separate records and ledger accounts in respect of the Contributions deposited in the Trust Fund account and disbursements made therefrom.

6.2. The Bank shall furnish to the Donors current financial information relating to receipts, disbursements and fund balance in the holding currency of the Trust Fund with respect to the Contributions 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, the final financial information relating to receipts, disbursements and fund balance in the holding currency of the Trust Fund with respect to the Contributions will be made available to the Donors via the World Bank’s Trust Funds Donor Center secure website.
6.3. The Bank shall provide to the Donors, within six (6) months following the end of each Bank fiscal year, an annual single audit report, comprising (1) a management assertion together with an attestation from the Bank's external auditors concerning the adequacy of internal control over cash-based financial reporting for all cash-based trust funds as a whole; and (2) a combined financial statement for all cash-based trust funds together with the Bank's external auditor's opinion thereon. The cost of the single audit shall be borne by the Bank.

6.4. 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 shall first consult as to whether such an external audit is necessary. The Bank and the Donor shall agree on the appropriate scope and terms of reference of such audit. Following agreement on the scope and terms of reference, the Bank shall arrange for such external audit. The costs of any such audit, including the internal costs of the Bank with respect to such audit, shall be paid by the requesting Donor.

6.5. The Bank shall provide the Donors with copies of all financial statements and auditors' reports received by the Bank from the Recipient pursuant to the Grant Agreements.

7. Progress Reporting

7.1. The Bank shall provide the Donors with an annual report on the progress of activities financed by the Contributions. Within six (6) months of the final disbursement date specified in paragraph 8.2, the Bank shall furnish to the Donors a final report on the activities financed by the Trust Fund.

7.2 Any Donor may review or evaluate activities financed by the Trust Fund. The Donor and the Bank shall agree on the scope and conduct of such review or evaluation, and the Bank shall provide all relevant information within the limits of its policies and procedures. All associated costs shall be borne by the Donor. It is understood that any such review or evaluation will not constitute a financial, compliance or other audit of the Trust Fund.

8. Disbursement, Cancellation; Refund

8.1. The Contributions may be used to retroactively finance payments for eligible expenditures in accordance with the Bank's policies and procedures from June 4, 2012.

8.2 It is expected that the Contributions will be fully disbursed by the Bank by December 31, 2018. The Bank shall only disburse Contributions for the purposes of this Agreement after such date with the written approval of the Donors.

8.3 Any Donor or the Bank may, upon three (3) months prior written notice, cancel all or part of the Donor's pro rata share of any remaining balance of the Contributions 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.

8.4. Following the final disbursement date specified in paragraph 8.2, the Bank shall return any remaining balance of the Contributions to the Donors or to the relevant Donor Balance Account on a pro rata basis based on the Donors' paid Contributions. In the event of a cancellation the Bank shall promptly return to the relevant Donor or Donors or to the relevant
Donor Balance Account the Donor's pro rata share of uncommitted Contributions in accordance with paragraph 8.3.
9. Disclosure

The Bank will disclose this Agreement and related information on this Trust Fund in accordance with the World Bank Policy on Access to Information. By entering into this Agreement, Donors consent to disclosure of this Agreement and related information on this Trust Fund.