Mr. Ulrich Zachau  
Country Director (Southeast Asia)  
The World Bank  
30th Floor Siam Tower, 989 Rama 1 Road, Pathumwan  
Bangkok, Thailand

Trust Fund Administration Agreement between the United States Agency for International Development (USAID) and the International Development Association concerning the Second Trade Development Facility in Lao PDR Multi-Donor Trust Fund (No. TF071941) (USAID Grant No. AID-486-IO-14-00001)

Dear Mr. Zachau:

The United States Agency for International Development ("USAID" or the "Donor") will make available to the International Development Association ("IDA" or the "Bank") as a grant the sum of five hundred thousand United States dollars (US$500,000), (the "Contribution") for the Second Trade Development Facility in Lao PDR Multi-Donor Trust Fund (TF071941) (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.

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 Second Trade Development Facility 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" attached hereto as Annex 2. As per Section 8 of said Annex 2, USAID will participate in the fund until September 30, 2017 unless terminated earlier in accordance with paragraph 8.2 of Section 8.

The Donor shall deposit the Contribution into such bank account designated by the Bank promptly following countersignature of this Agreement by the Donor and submission of a payment request by the Bank. Pursuant to its authorities under the Foreign Assistance Act of 1961, USAID hereby grants to the Bank US $100,000 to be expended as described in this Agreement. The purpose of the Agreement is met upon disbursement by USAID to the Recipient. The total estimated amount of this Grant for the period extending from the award date until the Completion Date set forth above is US$500,000. Additional funds, up to the total estimated amount of the Grant, may be granted by USAID subject to the availability of funds and the mutual agreement of the parties to proceed.

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 Donor for TF071941 (the Second Trade Development Facility in Lao PDR Trust Fund (TDF-2)), 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.

Except as provided for in the paragraph immediately 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 (the “Bank Contact”):

Senior Economist, EASPT
The World Bank
Nehru Road
Vientiane, Lao PDR
Tel. No.: +856 21 266 200
Fax. No.: +856 21 266 299

For the Donor (the “Donor Contact”):

Mr. Sait Mboob
USAID/RDMA
Bangkok, Thailand
Tel: +662 257 3169
E-mail: smboob@usaid.gov

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

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

Sincerely,

[Signature]
Rebecca R. White
Regional Agreement Officer
USAID/RDMA

Confirmed and Agreed:

[Signature]
Mr. Ulrich Zachau
Country Director (Southeast Asia)
International Development Association

Date: May 29, 2014
**USAID PROJECT CONTRIBUTION FISCAL DATA**

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<td><em>(Including World Bank and other donor contributions)</em></td>
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| Paying Office                                         | Office of Financial Management  
Regional Development Mission Asia  
Athenee Tower, 25th Floor  
63 Wireless Road  
Bangkok 10330, Thailand |
| USAID Financial Representative                        | Margaret Witherspoon, USAID/RDMA Controller |
| Award Number                                          | **AID-486-IO-14-00001**  |
ANNEX 1

Description of Activities, Expenditures and Governance Arrangements for the Second Trade Development Facility 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 proposed program development objective is to support the implementation of Government of Lao PDR’s trade and integration priorities outlined in the 2012 Diagnostic Trade Integration Study (DTIS) Action Matrix/Roadmap, and in particular to contribute to improved competitiveness and diversification, focusing outside the natural resource sectors.

(1) Recipient-Executed Trust Fund Activities:

   (a) Trade Facilitation, Trade Policy and Regulations: Provision of technical assistance to improve the effectiveness of institutional frameworks for managing trade facilitation, improved transparency, streamlined non-tariff measures, and a more coherent trade policy on goods and services.

   (b) Diversification and Competitiveness: Provision of technical assistance and direct matching grants to: (i) improve private sector competitiveness outside the resource sectors; and (ii) improve labor standards and productivity in the manufacturing sector.

   (c) Mainstreaming Aid for Trade: Provision of technical assistance to build the capacity of the aid for trade governance structure, support implementation of the 2012 DTIS and more effectively measure the impact of trade policy.

(2) Bank-Executed Trust Fund Activities:

   (a) Implementation support of the recipient-executed portion of the MDTF: ISRs for the recipient-executed project. Aide Memoires from periodic joint donor supervision missions and day-to-day implementation support.

   (b) Complementary analytical and advisory activities: AAA outputs to be determined according to standard Bank ESW/TA procedures and based on the rolling trade and competitiveness engagement strategy note for Lao PDR.

   (c) Program management and trust fund administration.
B. CATEGORIES OF EXPENDITURE

(1) **For Recipient-Executed activities**, the Contributions may be used to finance:
(a) civil works;
(b) consultant services;
(c) goods;
(d) operating costs;
(e) training;
and (f) other.

(2) **For Bank-Executed activities**, the Contributions may be used to finance:
(a) associated overheads;
(b) consultant fees individuals and firms;
(c) contractual services;
(d) extended term consultants;
(e) media, workshop, conference and Meeting;
(f) staff costs – with indirect costs;
(g) temporary support staff costs; and
(i) travel services.

C. GOVERNANCE STRUCTURE

A Trade Program Executive Committee (acting as the TDF Steering Committee) will be maintained throughout the duration of the Project which will be co-chaired by a senior representative of the Ministry of Industry and Commerce and by a donor representative agreed by the donors, with representatives of:
(a) the Recipient;
(b) the donors who provide financing to the MDTF;
(c) the Association; and
(d) other key stakeholders invited as observers. The Trade Program Executive Committee shall, inter alia:
(a) provide general oversight and strategic direction, including endorsing annual work plans to be financed under the MDTF, based on a selection of actions from the DTIS Roadmap and joint identifications, preparation and appraisal missions which have taken place; and
(b) review periodic financial and progress reports, prepared by the National Implementation Unit.

The World Bank, as administrator of the MDTF will:
(a) ensure that funds are used in accordance with approved work programs and will have the final authority to approve projects, programs or actions in accordance with its procedures;
(b) be responsible for calling development partner meetings and donor coordination, generate commitments, carry out day-to-day management of the MDTF, ensure that activities continue and are well-sequenced across the components, and provide technical assistance to the NIU, implementing departments and agencies.

The National Implementation Unit will be responsible for:
(a) drafting of action plans and proposals;
(b) coordination of the inputs of technical implementing departments and agencies;
(c) coordination of the preparation of work plans, progress reports and financial reports; and
(d) procurement and financial management arrangements and correspondence in accordance with World Bank rules and procedures; and
(e) providing any other inputs to the Trade Executive Committee on issues related to policy, strategy and program implementation.

- *End of Annex 1* -
ANNEX 2

Standard Provisions Applicable to the
Second Trade Development Facility Trust Fund

This Annex sets forth the Bank’s operating provisions for TDF-2, to which all donors that provide contributions to the TDF-2 fund agree as standard operating provisions.

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 of 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

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 from the Contributions. In addition, costs
for program management and administration up to a maximum of three and sixty-four hundredths percent (3.64%) 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 Recipients**

4.1. The Bank shall, as administrator of the Trust Fund on behalf of the Donors, enter into a grant agreement (the “Grant Agreement”) with Lao People’s Democratic Republic (the “Recipient”) selected in accordance with the governance terms of Annex 1 consistent with the purposes of this Agreement and on the terms and conditions set forth in the Grant Agreement. Grant Agreement 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 Agreement to the Donors.

4.2. The Bank shall be responsible for the supervision of the activities financed under the Grant Agreement. Subject to the consent of the relevant 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 Agreement and of any contractual remedies that are exercised by the Bank under any Grant Agreement. 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 Agreement shall provide that the Contributions shall be used by the Recipients 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 Agreement.

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 Recipients pursuant to the Grant Agreement.

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 8.1, 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 It is expected that the Contributions will be fully disbursed by the Bank by September 30, 2017. The Bank shall only disburse Contributions for the purposes of this Agreement after such date with the written approval of the Donors.

8.2 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 Agreement.
8.3. Following the final disbursement date specified in paragraph 8.1, 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 8.2.

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.

- *End of Annex 2* -