Dr. Stevan Lee  
Team Leader and Senior Economist  
Growth Research Team  
Department for International Development  
Government of the United Kingdom of Great Britain and Northern Ireland  
22 Whitehall  
London, SW1A 2EG  
United Kingdom of Great Britain and Northern Ireland


Dear Dr. Lee:

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 United Kingdom of Great Britain and Northern Ireland, represented by the Department for International Development ("DFID") (the "Donor") shall make available as a grant the sum of four million eight hundred sixty two thousand Pounds Sterling (£4,862,000) (the "Contribution") for the Multi-Donor Trust Fund for Sustainable Urban Development (TF 071544) (the "Trust Fund") in accordance with the terms of this Arrangement (the "Arrangement"). Other donors are also expected to contribute to the Trust Fund on the terms and conditions specified in the Annexes to this Arrangement.

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 Terms for the Multi-Donor Trust Fund for Sustainable Urban Development" attached hereto as Annex 1, and shall be administered by the Bank on behalf of the Donor in accordance with the terms of this Arrangement, including the "Standard Provisions Applicable to the Multi-Donor Trust Fund for Sustainable Urban Development" (the "Standard Provisions") attached hereto as Annex 2.

3. The Donor shall deposit the Contribution into such bank account designated by the Bank in installments in accordance with the following schedule:

   (a) promptly following countersignature of this Arrangement by the Donor and submission of a payment request by the Bank, two million Pounds Sterling (GBP 2,000,000);
   (b) on or before December 1, 2014, and upon submission of a payment request by the Bank, seven hundred fifteen thousand five hundred Pounds Sterling (GBP 715,500);
   (c) on or before June 1, 2015, and upon submission of a payment request by the Bank, seven hundred fifteen thousand five hundred Pounds Sterling (GBP 715,500);
   (d) on or before December 1, 2015, and upon submission of a payment request by the Bank, seven hundred fifteen thousand five hundred Pounds Sterling (GBP 715,500); and
(e) on or before June 1, 2016, and upon submission of a payment request by the Bank, seven hundred fifteen thousand five hundred Pounds Sterling (GBP 715,500).

4. When making each 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 TF071544 (Multi-Donor Trust Fund for Sustainable Urban Development), 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. The Bank shall convert the Contribution funds into the holding currency of the Trust Fund, namely United States Dollars, promptly upon receipt of the Contribution funds and the Deposit Instruction containing the information specified in paragraph 4 at the exchange rate obtained by the Bank on the date of the conversion. If the Contribution proves to be insufficient to complete the activities as a result of exchange rate fluctuations, neither the Bank nor the Donor shall bear any responsibility for providing any additional financing.

6. Except as provided for in paragraph 4 above, any notice, request or other communication to be given or made under this Arrangement 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:

Mr. Sameh Wahba
Sector Manager
Urban Development and Resilience Unit
Sustainable Development Network
The World Bank
1818 H Street, NW
Washington, DC 20433
U.S.A.
Tel: +1 202 458 8671
Fax: +1 202 522 3232
E-mail: swahba@worldbank.org

For the Donor:

Dr. Stevan Lee
Team Leader and Senior Economist
Growth Research Team
Department for International Development
Government of the United Kingdom of Great Britain and Northern Ireland
22 Whitehall
London, SW1A 2EG
United Kingdom of Great Britain and Northern Ireland
Tel.: +44 020 7023 0908
Fax: +44 744 6631 1811
E-mail: S-Lee@dfid.gov.uk
7. It is understood that the amount of US$ 35,000 reflected in paragraph 3.1 of Annex 2 to this Arrangement has already been charged to the Trust Fund.

8. All annexes hereto constitute an integral part of this Arrangement. This Arrangement 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.

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

Sincerely,

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
INTERNATIONAL DEVELOPMENT ASSOCIATION

Zoubida Allaoua
Director
Urban and Disaster Risk Management Department

CONFIRMED AND AGREED:

GOVERNMENT OF THE UNITED KINGDOM OF GREAT BRITAIN AND NORTHERN IRELAND, represented by the Department for International Development

By: Date: 28th Nov. 2013
ANNEX 1

Description of Activities, Expenditures and Governance Terms for the Multi-Donor Trust Fund for Sustainable Urban Development

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. BACKGROUND

For the first time in history more than half the world’s people live in cities. Over 90 percent of urban growth is occurring in the developing world, adding an estimated 70 million new residents to urban areas each year. Successful cities change their ways, improve their finances, attract private investors, and take care of the poor. However, the demands of poverty alleviation, climate change and sustainable growth will put today’s developing country cities to the test. Within cities of developing countries, a sharper focus on climate change adaptation and the expected positive impacts and outcomes associated with the implementation of related measures will require retooling approaches to urban management and investment planning. This Multi-Donor Trust Fund for Sustainable Urban Development (the “MDTF”) contributes to the operationalization of the Bank’s 2009 Urban Strategy, which emphasizes sustainable urban development and equity and inclusion for growth and poverty alleviation.

B. DESCRIPTION OF ACTIVITIES

The objectives of the MDTF are to: (1) support the design, implementation and knowledge management of analytical and diagnostic work on urban poverty that will help fill knowledge gaps and provide the basis for better designed programs and policies; (2) support work on reducing vulnerability and increasing resilience to climate change for the urban poor; and (3) promote knowledge partnerships with universities, think tanks, and development organizations on sustainable urban development.

The MDTF will finance global, national, and regional initiatives through analytical work for project development, institutional strengthening and knowledge partnerships on urban poverty and sustainable urban development.

1. Activities related to climate change adaptation and resilience of the urban poor, including:

(a) Preparation of a framework for city level analysis focusing on exposure to risk, food security, access to basic services, energy efficiency, location issues (precarious and overcrowded settlements), gender specific vulnerability etc.

(b) Identification, documentation and dissemination of good practice examples where shelter and social and basic services for the urban poor have improved while vulnerability to climate change and carbon emissions have been reduced.

(c) Development of investment programs and new financing instruments that reduce the vulnerability and increase resilience of the urban poor.
2. Preparation and roll out of a urban risk assessment methodology, including:
   (a) Preparation of a standardized framework to allow flexibility in application dependent on available resources and institutional capacity.
   (b) Development of cost effective, low-tech approaches to digitally mapping urban slums for improved understanding of local impacts of climate change and natural hazards.
   (c) Elaboration of training materials for non-government organizations and community groups to perform digital mapping.
   (d) Piloting of urban risk assessment in approximately fifteen (15) cities.

3. Preparation of an urban poverty analysis, with particular focus in Africa, South Asia, and East Asia regions, including:
   (a) Spatial estimates of poverty and related characteristics for use in analytical, projects and diagnostic.
   (b) Preparation of urban poverty reduction strategies to leverage analytical work and develop projects.

4. Carrying out analytical work to help countries scale up policies and programs for slum upgrading and slum prevention, particularly in Africa and South Asia, such as an analysis of legal and regulatory issues on land policy, tenure regularization; proactive slum prevention policies and analysis of the emerging role for the private sector in slum upgrading activities through approaches such as output-based aid and new innovative uses of financial instruments; and analysis and policy recommendation options for countries’ consideration on social inclusion in cities’ cultural heritage regeneration and conservation.

5. Carrying out knowledge partnership activities including:
   (a) Provision of support to ongoing work and participation in key events.
   (b) Participation in missions and programs that will enable the Bank to support and take advantage of the knowledge and experience of university networks, community based non-governmental organizations (NGOs) through workshops, study tours, and exchange programs.
   (c) Establishment of partnerships with developing country and developed country universities in cutting edge urban development research.
   (d) Carrying out a scholar in residence program to bring researchers and practitioners with specific skills into the Bank to benefit country programs.

6. Carrying out analysis and propose policy recommendation options for countries’ consideration on food security in urban areas and urban land development planning on arable lands in the outskirt of the cities.

7. Provision of support to cities and national governments in developing countries in balancing environmental, economic and social tradeoffs in order to achieve sustainable, inclusive and pro-poor urbanization and growth by supporting: diagnostics tools on policy and investment constraints; investment programs; development of a knowledge base; and capacity for sustainable urbanization. In particular, support will focus on:
(a) Policy tools: carrying out analytical work on urbanization and urbanization reviews, including expanding engagement with policy makers on core policy diagnostics and developing new tools on sustainability and climate change;

(b) Promoting the Urbanization Review Policy Framework in World Bank lending and policy dialogue: supporting project preparation activities for urban multi-sectoral projects building on completed or ongoing urbanization reviews; and

(c) Global partnerships and data: collecting and making publicly available urbanization related data at the global, regional and local scales, and supporting and strengthening activities under World Bank supported knowledge initiatives.

C. CATEGORIES OF EXPENDITURE

The Contributions may be used to finance (a) staff cost; (b) extended term consultants; (c) consultant fees; (d) contractual services; (e) temporary support staff cost; (f) travel expenses; (g) media and workshop costs; and (h) associated overheads.

D. GOVERNANCE STRUCTURE

1. The task team leader (TTL) for the MDTF will be appointed by the Director of the Urban and Disaster Risk Management Department (UDR) of the Bank and will be responsible for the administration and management of the MDTF, including coordinating and reporting to the Steering Committee. The TTL will also be responsible for approving proposals up to US$75,000 consistent with the objectives of the MDTF and the criteria agreed with the Steering Committee.

2. Steering Committee. The Steering Committee will be responsible for; (i) providing overall strategic guidance in the implementation of the MDTF; and (ii) reviewing annual work plans.

   The Steering Committee members consist of:

   (a) one (1) representative from each Donor; and

   (b) three (3) representatives from the Bank, consisting of the Director of the UDR, the Sector Manager of the Urban and Resilience Management Unit (UDRUR), and the TTL.

   The Steering Committee will be chaired by the Bank. The decisions of the Steering Committee are made by consensus. The Steering Committee will meet initially at least annually and other meetings will be organized as needed. All meeting may be held either in person and/or by audio/video. During the annual meetings, the Steering Committee will review progress on the implementation of the activities and discuss strategic priorities.

3. Funding. The selection and approval of proposals under the MDTF will be carried out by the Bank. Proposals in an amount up to US$75,000 will be reviewed and approved by the TTL. Proposals exceeding US$ 75,000 will be reviewed and approved in accordance with eligibility criteria agreed with the Steering Committee.
ANNEX 2

Standard Provisions Applicable to the Multi-Donor Trust Fund for Sustainable Urban Development

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 Arrangement 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 Arrangement shall be considered a waiver of any privileges or immunities of the IBRD and IDA under their Articles of Arrangement 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 associated with the establishment of the Trust Fund, the Bank may, following deposit of the first Contribution from any Donor to the Trust Fund, deduct and retain for its own account from that Contribution an amount equal to and not greater than thirty-five thousand United States Dollars (US$35,000).

3.2. In order to assist in the defrayment of the costs of administration and other expenses incurred by the Bank under this Arrangement, the Bank may deduct and retain for its own account an amount
equal to five percent (5%) of each Contribution. 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. **Procurement**

4.1. 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.

5. **Accounting and Financial Reporting**

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

5.2. 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.

5.3. 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.

5.4. 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. **Progress Reporting**

6.1. 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 7.1, the Bank shall furnish to the Donors a final report on the activities financed by the Trust Fund.

6.2. 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.
7. **Disbursement; Cancellation; Refund**

7.1. It is expected that the Contributions will be fully disbursed by the Bank by December 31, 2016. The Bank shall only disburse Contributions for the purposes of this Arrangement after such date with the written approval of the Donors.

7.2. 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 Arrangement prior to the receipt of such notice.

7.3. Following the final disbursement date specified in paragraph 7.1, 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 7.1.

8. **Disclosure**

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