Date: January 19, 2012

Mr. Kanayo Nwanze
President
International Fund for Agricultural Development
Via Paolo di Dono, 44
00142 Rome
Italy


Dear Mr. Nwanze:

1. We are pleased to acknowledge on behalf of the International Bank for Reconstruction and Development ("IBRD") and the International Development Association ("IDA", and together with IBRD, the "Bank") that the International Fund for Agricultural Development ("IFAD" or the "Donor") shall make available as a grant the sum of one million five hundred thousand United States dollars (US$1,500,000 (the "Contribution") for the Developing Inclusive Financial Systems for Improved Access to Financial Services in Rural Areas Programme (the "Trust Fund") in accordance with the terms of this Agreement.

2. Activities and Expenditures Financed by the Contribution

The Contribution shall be used to finance the activities and the categories of expenditure in accordance with the terms set forth in the "Description of Activities, Expenditures and Governance Arrangements for the Developing Inclusive Financial Systems for Improved Access to Financial Services in Rural Areas Programme" 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.
3. **Administration of the Contribution**

3.1. 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 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, nor of IFAD, under their respective 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 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.

4. **Deposit of the Contribution**

4.1. 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 Agreement by the Donor and submission of a payment request by the Bank, five hundred thousand United States Dollars (US$500,000);

   (b) on or before June 30, 2012, five hundred thousand United States Dollars (US$500,000), and submission of a payment request by the Bank; and

   (c) on or before June 30, 2013, five hundred thousand United States Dollars (US$500,000), and submission of a payment request by the Bank.

If the speed of the implementation of the activities to be financed by the Trust Fund makes it necessary either to bring payments forward or to delay them, changes in the above schedule will be agreed by the Bank and the Donor.

4.2. 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 TF071792 (Developing Inclusive Financial Systems for Improved Access to Financial Services in Rural Areas Programme), 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. **Commingling, Exchange and Investment of the Contributions**

5.1. 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.

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

5.3. 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.

6. **Administrative Cost Recovery**

6.1. 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, following deposit of the Contribution, 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 this Agreement, and the administrative costs increase as a result, the Donor acknowledges that an additional administrative fee may be applied to such new contributions.

7. **Procurement**

7.1. 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.

8. **Accounting and Financial Reporting**

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

8.2. The Bank shall furnish to the Donor 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 Donor via the World Bank’s Trust Funds Donor Center secure website.

8.3. The Bank shall provide to the Donor, 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.

8.4. If the 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 Donor.

9. Progress Reporting

9.1. The Bank shall provide the Donor 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 10.1, the Bank shall furnish to the Donor a final report on the activities financed by the Trust Fund.

9.2. The 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.

10. Disbursement; Cancellation; Refund

10.1. It is expected that the Contributions will be fully disbursed by the Bank by April 30, 2015. The Bank shall only disburse Contributions for the purposes of this Agreement after such date with the written approval of the Donor.

10.2. The Donor or the Bank may, upon three (3) months’ prior written notice, cancel all or part of any remaining balance of the Contributions that are 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.
10.3. Following the final disbursement date specified in paragraph 10.1, the Bank shall return any remaining balance of the Contributions to the Donor based on the Donor’s paid Contributions. In the event of a cancellation the Bank shall promptly return to the Donor the uncommitted Contributions in accordance with paragraph 10.2.

11. Communication 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:

For the Bank:

Mr. Tilman Ehrbeck  
Director  
CGAP  
The World Bank  
1818 H Street, NW  
Washington, DC 20433  
U.S.A.

Tel: 202-473-2939  
E-mail:tehrbeck@worldbank.org

For the Donor:

Mr. Michael Hamp  
Senior Technical Adviser Rural Finance  
International Fund for Agricultural Development  
Via Paolo di Dono, 44  
00142 Rome  
Italy

Tel: +39-06-5459-2807  
Fax: +39-06-5459-3807  
E-mail: m.hamp@ifad.org

12. Amendment

All annexes hereto constitute an integral part of this Agreement. This Agreement may be amended only in writing between the Bank and the Donor.
13. **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, the Donor consents to disclosure of this Agreement and related 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
INTERNATIONAL DEVELOPMENT ASSOCIATION

Tilman Ehrbeck
Director
CGAP

**AGREED:**

INTERNATIONAL FUND FOR AGRICULTURAL DEVELOPMENT

By: [Signature]
Authorized Representative

Name: [Name]
Title: Associate Vice President

Date: [Date]
Description of Activities, Expenditures and Governance Arrangements for the Developing Inclusive Financial Systems for Improved Access to Financial Services in Rural Areas Programme – IFAD Single Donor Trust Fund (the “Trust Fund”)

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

A. DESCRIPTION OF ACTIVITIES

1. The objective of the Trust Fund is to promote new business models relevant to increasing the outreach in rural areas using new technology solutions. The Trust Fund aims to: (i) build capacity of policymakers involved in rural finance mainly in the areas of regulation and supervision, anti-money laundering and countering the financing of terrorism, consumer protection and branchless banking policies; and (ii) support knowledge dissemination and improve performance management systems.

2. Activities to be undertaken and financed include:

   (i) Building the financial market infrastructure and access in rural areas through technical assistance activities, undertaking pilot program activities and research;

   (ii) Fostering a supportive policy framework for rural finance by undertaking technical assistance activities for policy-makers and regulators in target countries;

   (iii) Developing knowledge management and information dissemination tools and raising awareness in relation to rural finance, including through the provision of training activities and materials; and

   (iv) Providing technical assistance for the purpose of improving performance management systems, results/impact management systems and rural finance indicators from rural financial service providers.

The usual CGAP governance arrangements will apply to the selection and implementation of activities under the Trust Fund.

B. CATEGORIES OF EXPENDITURE

The Contributions may be used to finance: (a) staff costs; (b) associated overheads; (c) consultant fees; (d) extended term consultants; (e) field assignment benefits; (f) temporary support staff costs; (g) travel expenses; (h) staff costs – no indirect costs allowed.
Travel expenses referred to in item (g) above may be financed by the Contributions up to a maximum amount of US$100,000.

Amounts incurred in connection with items (a), (b), (c), (d), (e), (f) and (h) above may, cumulatively, be financed by the Contributions up to a maximum amount of US$1,325,000.

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