Administration Agreement between KfW and the International Bank for Reconstruction and Development and the International Development Association concerning the Zambia Multi Donor Trust Fund for the Public Financial Management Reform Program (TF No TF072158)

1. The International Bank for Reconstruction and Development and the International Development Association (collectively, the “Bank”) acknowledges that KfW (the “Donor”, and together with the Bank, the “Parties” and each a “Party”), agrees to provide the sum of seven million Euros (€7,000,000) (the “Contribution”) for the Zambia Multi Donor Trust Fund for the Public Financial Management Reform Program Trust Fund, No. TF072158 (the “Trust Fund”) in accordance with the terms of this Administration Agreement. Other donors are also expected to contribute to the Trust Fund on the terms and conditions specified in the Annexes to this Administration Agreement.

2. The Contribution will be used to finance the activities set forth in the Zambia Multi Donor Trust Fund for the Public Financial Management Reform Program Trust Fund Description attached hereto as Annex 1, and shall be administered by the Bank on behalf of the Donor in accordance with the terms of this Administration Agreement, including the “Standard Provisions” attached hereto as Annex 2 and “Governance” attached hereto as Annex 3.

3. The Donor will deposit the Contribution in accordance with the following schedule and in the currency specified in Section 1 above (“Contribution Currency”) into such bank account designated by the Bank (each amount deposited hereinafter referred to as an “Installment”) upon submission of a payment request by the Bank:

   (A) Promptly following countersignature- €2,000,000
   (B) By June 30, 2015- €2,500,000
   (C) By June 30, 2016- €2,500,000

The Contribution is being provided in Installments on the basis of financial needs of the Trust Fund, such that if the speed of the implementation of the activities to be financed by the Trust Fund makes it necessary either to bring Installments forward or to delay them, the Installments schedule shall be amended as agreed by the Bank and the Donor.

4. When making any deposit, the Donor shall instruct its bank to include in its deposit details information (remittance advice) field of its SWIFT deposit message, information indicating: the amount deposited, that the deposit is made by the Donor for TF No. TF072158 (Zambia Multi Donor Trust Fund for the Public Financial Management Reform Program Trust Fund), and the date of the deposit (the “Deposit Instructions”). In addition, the Donor shall provide a copy of the Deposit Instructions to the Bank’s Accounting Trust Funds Division by e-mail sent to tfremitadvice@worldbank.org or by fax sent to +1 (202) 614-1315.
5. Except with respect to the Deposit Instructions, any notice, request or other communication
to be given or made under this Administration Agreement shall be in writing and delivered by mail,
fax 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”):

Pazhayannur K. Subramanian
Task Team Leader
Zambia Multi Donor Trust Fund for the Public Financial Management Reform
Program

The World Bank
1818 H Street, N.W.
Washington, D.C. 20433
U.S.A.

Tel: +1 202 – 473 - 8871
Fax: +1 202 – 614 - 9830
E-mail: Psubramian4@worldbank.org

For the Donor (the “Donor Contact”):

Stefanie Peters
Senior Programme Manager Governance
KfW office Lusaka
6469 Kariba Road, Kalundu, Private Bag RW 37X
Tel: +260 211 29 22 33
Fax: +260 211 29 24 07
E-mail: stefanie.peters@kfw.de

6. In the event any amounts are to be returned to the Donor under this Administration
Agreement, the Bank shall transfer such amounts to the Donor’s applicable donor balance account
with the Bank, unless otherwise agreed with the Bank.

7. All annexes hereto constitute an integral part of this Administration Agreement, whose
terms taken together shall constitute the entire agreement and understanding between the Donor and
the Bank. Unless otherwise specified in an annex hereto, this Administration Agreement may be
amended only by written amendment between the Bank and the Donor; provided, however, that
any annexes to this Administration Agreement may be amended only by written amendment of all
donors contributing to the Trust Fund.

8. Each of the Parties represents, by confirming its agreement below, that it is authorized to
enter into this Administration Agreement and act in accordance with these terms and conditions.
The Parties are requested to sign and date this Administration Agreement, and upon possession by the Bank of this fully signed Administration Agreement, this Administration Agreement shall become effective as of the date of the last signature.

Sincerely,

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT AND INTERNATIONAL DEVELOPMENT ASSOCIATION

By: Kundhavi Kadireesan
Name: Kundhavi Kadireesan
Title: Country Director
Date: Dec 17, 2014

KFW

By: [Signature]
Name: [Name]
Title: Director
Date: 12.12.2014
ANNEX 1

Zambia Multi Donor Trust Fund for the Public Financial Management Reform Program

Trust Fund Description

This Annex shall be applicable to and form an integral part of all administration Agreements for the Trust Fund (collectively, the “Administration Agreements” and each “Administration Agreement”) between the Bank and any entities that provide any funds to the Trust Fund (collectively, the “Donors”).

1. Objectives

The objective of the Trust Fund is to support the Zambia Public Financial Management Reform Program. The overall objective of the Program is to support selected areas of the Government PFM Reform Strategy to contribute to efficient, effective and accountable use of public resources through improved fiscal discipline, improved accountability and greater transparency in service delivery. The specific Program Development Objective is to improve fiscal discipline and public accountability of the Republic of Zambia’s (Recipient) finances.

2. Activities

The activities (which may be described as “components” of activities) to be financed by the Trust Fund are:

2.1 Bank-executed activities, for which the Bank has implementation responsibility:

(a) Supervision and implementation support
(b) Analytical studies
(c) Public surveys
(d) Special audits and independent evaluations
(e) Knowledge dissemination activities and workshops
(f) Technical advisory services

2.2 Recipient-executed activities, for which one or more Recipients (as defined in Annex 2) have implementation responsibility:

(A) Strengthening Integrated Planning and Budget laws and Policies

(i) Review of the Public Finance Act, and related laws and regulations.
(ii) Development of a planning and budgeting legislation including provision of support for public consultations, training and initial implementation of the legislation.
(iii) Review and development of debt and public investment management legislation including provision of support for public consultations, training and initial implementation of the legislation.

(iv) Developing Integrated Financial Management Information System (IFMIS) laws, regulations, operational policies and manuals needed by new configuration and internal control arrangements.

(v) Preparing and/or updating budget and other manuals and carrying out capacity building initiatives

(B) Strengthening Integrated Financial Management Information System (IFMIS) and Cash Management

(i) Support for the roll-out of IFMIS at the de-concentrated sectors including office rehabilitation, supply of equipment and training of staff.

(ii) Strengthening the Treasury Single Account, cash and Debt management and reporting.

(iii) Support for the roll-out of IFMIS at the Central Government including review of the financial regulations, provision of technical assistance for the roll-out and implementation, carrying out of training, review and development of manuals and supply of equipment.

(iv) Development and implementation of related training programs.

(C) Public Procurement

(i) Procurement capacity development of public enterprises and of ministries, provinces and spending agencies (MPSAs)

(ii) Procurement policy reform and capacity development of the Zambia Public Procurement Authority.

(iii) Support for the development and implementation of electronic and web based procurement systems.

(iv) Support for the capacity development of the Zambia Institute of Procurement and Supplies including development of education programs, staff capacity development and provision of equipment and furniture.

(D) Increasing the Effectiveness of Revenue Administration

(i) Implementing Mining Sector monitoring mechanism.

(ii) Engaging a system for monitoring Balance of Payments.

(iii) Improving control systems and procedures for transit tracking of goods.

(iv) Building capacity for Medium Taxpayer Office (MTO) staff of Zambia Revenue Authority.

(v) Supporting investigations and capabilities of the investigative arms of Zambia Revenue Authority.
(vi) Enhancing bulk intelligence data analysis capability of Zambia Revenue Authority.
(vii) Supporting improvement of electronic records management system at Zambia Revenue Authority.

(E) Strengthening Tax Policy Formulation

(i) Enhancing the capacity of the Tax Policy Unit in the Ministry of Finance for:
   a) undertaking a range of studies and research projects to support tax policy formulation;
   b) enhancing the capability of staff in the unit on general business taxation policy; taxation of multinationals; and on reviewing the effectiveness of double taxation agreements; and
   c) improving the access to information to aid tax policy formulation and analyses.

(F) Enhanced Internal Audit and Control

(i) Upgrading internal auditing standards and procedures to international auditing standards including providing appropriate training to staff.
(ii) Developing professional training programs for internal auditors in conjunction with the Zambia’s accounting and internal auditors associations.
(iii) Support for the development and implementation of internal audit quality assurance systems including carrying out of relevant training.
(iv) Carrying out public and outreach activities to strengthen the value provided by internal audit.
(v) Support for the development and implementation of risk management approaches to internal audit including development of risk management frameworks and standards, development of manuals, provision of equipment and carrying out of training.
(vi) Review and update current auditing manuals and developing frameworks for specialized audits.
(vii) Support to internal audit committees including review and updating of the audit committee manuals and procedures.
(viii) Support for the implementation of the findings of the institutional review of internal audit.
(ix) Support for ACL expansion to audit IT systems including procurement of necessary licenses and carrying out of relevant training.

(G) Program Management

(i) Support for Program Staff.
(ii) Office equipment and operating costs.
(iii) Program staff training.
(iv) Carrying out of Audits.
(v) Carrying out of public financial management studies, reviews and assessments.
(vi) Implementing of information and communication technology solutions to enhance communication between public financial management institutions.
(vii) Support for monitoring and evaluation

(H) Demand Driven PFM interventions

(i) Support for the Office of the Auditor General.
(ii) Support for the Public Accounts Secretariat at Parliament.
(iii) Support for the accounting profession
(iv) Support for other demand driven PFM interventions as agreed by the Donors, the Recipient and the World Bank.

3. Eligible Expenditures

3.1 For Bank-executed activities, the Trust Fund funds may be used to finance:

   (a) Associated Overheads
   (b) Consultant Fees Individuals and Firms
   (c) Contractual Services
   (d) Extended Term Consultants-No Indirects
   (e) Extended Term Consultants
   (f) Field Assignment Benefits
   (g) Media, Workshop, Conference and Meeting
   (h) Staff Costs - with Indirect Costs
   (i) Staff Costs - No Indirect Costs
   (j) Temporary Support Staff Costs
   (k) Temporary staff costs - No Indirects
   (l) Travel Expenses

3.2 For Recipient-executed activities, the Trust Fund funds may be used to finance:

   (a) Civil Works
   (b) Consultant services
   (c) Goods
   (d) Operating Costs
4. **Taxes**

The foregoing activities and categories of expenditures may include the financing of taxes in accordance with the Bank’s applicable policies and procedures except that import duties may not be paid from the Trust Fund.

5. **Program Criteria**

Activities are to be financed in accordance with the following program criteria:

(i) Selectivity  
(ii) Sequence and continuation in on-going reforms  
(iii) Prioritization to ensure focus on public financial management basics  
(iv) Readiness of activities for implementation  
(v) Availability of external resources  
(vi) Division of labor among Donors

6. **Retroactive Financing**

The Trust Fund funds may be used to retroactively finance payments for eligible expenditures made as of December 18, 2013 in accordance with the Bank’s applicable policies and procedures.
ANNEX 2

Standard Provisions

This Annex shall be applicable to and form an integral part of all Administration Agreements between the Bank and the respective Donors.

1. **Administration of the Contributions**

1.1 The Bank shall be responsible only for performing those functions specifically set forth in this Administration 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 Administration Agreement shall be considered a waiver of any privileges or immunities of the Bank under its Articles of Agreement or any applicable law, all of which are expressly reserved.

1.2 Each Donor’s Contribution (collectively, the “Contributions”) will be administered in accordance with the Bank’s applicable policies and procedures, as the same may be amended from time to time, including its procurement, financial management, disbursement and safeguard policies, 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 Donors acknowledge 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 a Donor.

2. **Management of the Contributions**

2.1 The funds deposited in the Trust Fund shall be accounted for as a single trust fund and shall be kept separate and apart from the funds of the Bank. The funds deposited in the Trust Fund may be commingled with other trust fund assets maintained by the Bank. The Bank, in its capacity as trustee, has legal title to the funds deposited in the Trust Fund.

2.2 The currency in which the funds in the Trust Fund shall be held is United States Dollars (the “Holding Currency”).

2.3 Donors agree to deposit their Contributions in the Contribution Currency stated in their respective Administration Agreements. In the case of deposits received in a Contribution Currency other than the Holding Currency, promptly upon the receipt of such amounts and the accompanying Deposit Instructions, the Bank shall convert such amounts into the Holding Currency at the exchange rate obtained by the Bank on the date of the conversion. Where deposits prove to be insufficient to complete activities as a result of exchange rate fluctuations, neither the Bank nor the Donor shall bear any responsibility for providing any additional financing.
2.4 The funds deposited in the Trust Fund may be freely exchanged by the Bank into other currencies as may facilitate their disbursement at the exchange rate obtained by the Bank on the date of the conversion.

2.5 The Bank shall invest and reinvest the funds deposited in the Trust Fund pending their disbursement in accordance with the Bank’s applicable 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. **Trust Fund Fees and Costs**

3.1 The Bank shall deduct and retain for its own account, as a deduction from each Installment, an amount equal to two percent (2%) per Installment as an administrative fee for the Trust Fund.

3.2 In addition, costs incurred by the Bank for other expenses, such as for program management and Trust Fund administration, that are (i) not covered by the percentage deduction specified above as an administrative fee and (ii) not included under Annex 1 of the Administration Agreements in accordance with the Bank’s applicable policies and procedures shall be charged to the Trust Fund on an actual basis up to a maximum of two decimal eight percent (2.8%) of the total Contributions under all Administration Agreements.

3.3 Each Donor acknowledges and agrees that the percentage deductions for fees in this Trust Fund Fees and Costs section are estimated on the basis of anticipated Contributions. If actual Contributions significantly differ from what was originally anticipated at the time of signature of the first Administration Agreement, or if other circumstances affecting Trust Fund fees or costs change, the Bank reserves the right to request a change to the terms of this Trust Fund Fees and Costs section, which would be effectuated by amendments made to the Administration Agreements of all Donors and which would thereafter be applicable to all new Contributions that are provided either as amendments to supplement existing Administration Agreements or from new Donors under new Administration Agreements.

4. **Accounting and Financial Reporting**

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

4.2 The Bank shall furnish to the Donors current financial information relating to receipts, disbursements and fund balance in the Holding Currency 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 with respect to the Contributions shall be made available to the Donors via the World Bank’s Trust Funds Donor Center secure website.
4.3 The Bank shall provide to the Donors via the World Bank’s Trust Fund Donor Center secure website, within six (6) months following the end of each Bank fiscal year, an annual single audit report, comprising (i) 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 (ii) 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.

4.4 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 will first consult as to whether such an external audit is necessary. The Bank and the Donor will 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 borne by the requesting Donor.

4.5 The Bank shall make available to the Donors copies of all financial statements and auditors’ reports received by the Bank from Recipients pursuant to any Grant Agreements (as defined below) in accordance with the Bank’s Access to Information Policy.

5. Progress Reporting

5.1 The Bank shall provide the Donors with quarterly reports on the progress of activities financed by the Contributions. Within six (6) months of the End Disbursement Date (as defined below), the Bank shall furnish to the Donors a final report on the activities financed by the Trust Fund.

5.2 Any Donor may review or evaluate activities financed by the Trust Fund at any time up to six (6) months following the End Disbursement Date. The Donor and the Bank will agree on the scope and conduct of such review or evaluation, and the Bank shall provide all relevant information within the limits of the Bank’s applicable policies and procedures. All associated costs, including any costs incurred by the Bank, 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.

6. Disbursement; Cancellation; Refund

6.1 It is expected that the funds deposited in the Trust Fund will be fully disbursed by the Bank by June 30, 2018 (the “End Disbursement Date”). The Bank shall only disburse funds deposited in the Trust Fund for the purposes of this Administration Agreement (other than returns to Donors) after such date to the extent such date is changed in accordance with amendments made to the Administration Agreement of all the Donors. Following the End Disbursement Date, the Bank shall return any remaining balance of the Trust Fund to each Donor in the Holding Currency in the manner specified in its respective Administration Agreement on a pro rata basis with regard to the total funds deposited in the Trust Fund by such Donor relative to the total funds deposited in the Trust Fund by all Donors, all calculated as Holding Currency amounts.
6.2 Any Donor may cancel all or part of such Donor’s pro rata share, and the Bank may cancel all or any Donors’ pro rata shares, upon three (3) months’ prior written notice, of any Contributions (paid and not yet paid) 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 Administration Agreement, including any Grant Agreements, prior to the receipt of such notice. In the event of a cancellation, the Bank shall return to the relevant Donor or Donors in the Holding Currency in the manner specified by each such Donor in its respective Administration Agreement the pro rata share(s) of any such uncommitted balance of the Trust Fund, in accordance with any additional terms that may be agreed between the Bank and each such Donor.

7. Disclosure; Dispute Resolution

7.1 The Bank shall disclose the Administration Agreement and related information on this Trust Fund in accordance with the Bank’s Policy on Access to Information. By entering into Administration Agreement, the Donors consent to such disclosure of their respective Administration Agreements and such related information.

7.2 The Donors and the Bank shall use their best efforts to amicably settle any dispute, controversy, or claim arising out of or relating to the Administration Agreement.

8. Grants to Recipients

8.1 The Bank shall, as administrator of the Trust Fund on behalf of the Donors, enter into one or more grant agreements (the “Grant Agreements”) with recipients (the “Recipients”) consistent with the purposes of this Administration 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.

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

8.3 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.
ANNEX 3

Governance

This Annex shall be applicable to and form an integral part of all Administration Agreements between the Bank and the respective Donors.

**Joint Government Donor Committee**

(i) A Joint Government Donor Committee comprising Secretary of the Treasury, chair of the Technical Committee, heads of implementing departments, the head of the Program Unit, representatives of the Bank and representatives of Donors contributing to the Trust Fund is hereby established.

(ii) The functions of the Committee will be to provide overall oversight in the management of the Program including: (a) review and monitor the implementation of the Program in line with the Government of Zambia’s (GRZ) overall public financial management reform program; (b) review and approve program activities for financing under the Trust Fund; and (c) monitor the progress of implementation of the annual program work plan and approve any changes thereto.

(iii) The Committee will meet quarterly and as needed to facilitate the carrying out of its functions.

**Technical Committee**

(i) A Technical Committee comprising the Permanent Secretary of the Ministry of Finance, heads of implementing departments, the head of the Program Unit, representatives of the Bank and representatives of Donors contributing to the Trust Fund shall be established.

(ii) The functions of the Technical Committee will be to oversee the implementation of the Program and projects under it including: (a) review of implementation and providing necessary guidance; (b) review and approve annual work plans and budgets; (c) review of agreed performance targets; and (d) resolution of critical risks including implementation issues.

(iii) The Technical Committee will meet every month and can also call meetings with the participation of other project representatives and Donor teams to discuss issues of cross cutting nature and interface in the program.

**Public Financial Management Reform Unit**

(i) To facilitate the PFM reform program, a Public Financial Management Reform Unit (PFMRU) shall be established by the GRZ comprising a full time Project Coordinator, with full time specialists in procurement, financial management and monitoring and evaluation.
(ii) The main functions of PFMRU will be to: (a) provide support and guidance to the implementation teams; (b) consolidate and coordinate work programs and procurement plans; (c) monitor progress and hold regular meetings with implementation teams; (d) maintain project accounts and prepare financial statements; and (e) act as secretariat to various committees.
The World Bank
Pazhayannur K. Subramanian
Task Team Leader
Zambia Multi Donor Trust Fund for the Public Financial Management Reform Program

1818 H Street, N.W.
Washington, D.C. 20433
U.S.A.

Dear Mr. Subramanian,

we herewith refer to the above mentioned Administration Agreement, and in particular to Section 3 of said agreement.

As discussed between legal representatives of the Worldbank and KfW on 07 August 2014 KfW herewith re-iterates the following which has been the common understanding during the discussion:
The funds amounting to EUR 7 million provided to the Multi Donor Trust Fund for the Public Financial Management Reform Program (TF No TF072158) by German Financial Cooperation (KfW) are foreseen to be disbursed into the Trust Fund account until the end of December 2016 the latest.
After that date KfW might not be in a position to disburse any outstanding amounts into the Trust Fund account due to statutory German budget law.

Therefore, in the event of delays in the implementation of activities and/or (corresponding) delays of payment requests by the Worldbank KfW might not be able to amend the installment schedule beyond 31 Dec 2016 and Section 3 of the Administration Agreement shall be interpreted in such way.

Yours sincerely

KfW