ADDENDUM N° 2 TO ADMINISTRATION AGREEMENT

Between

the EUROPEAN UNION
(represented by the European Commission)

and

the INTERNATIONAL BANK FOR RECONSTRUCTION AND
DEVELOPMENT and
the INTERNATIONAL DEVELOPMENT ASSOCIATION

concerning the
KP/FATA/BALOCHISTAN MULTI-DONOR TRUST FUND

have agreed as follows:

The following provisions of the Administration Agreement KP/FATA/Balochistan Multi-donor Trust Fund IFS/RRM/2010/249-232 concluded between the European Commission and the World Bank on September 2, 2010 are hereby replaced/completed as follows:

1. Article 2, Section 2.02 is replaced as follows:

"Section 2.02. Expenses financed under the MDTF may be incurred on or after January 28, 2010, as provided for in Section 8.1 of the Standard Provisions. The funds contributed by the donors to the MDTF are expected to be fully disbursed by the Bank by December 31, 2017, in conformity with Section 8.2 of the Standard Provisions ("End Disbursement Date"). The End Disbursement Date can only be modified with the agreement of both Parties pursuant to Article 9 of the General Conditions and Section 8.2 of the Standard Provisions."

2. Section 2.03 is deleted in its entirety.

3. Article 5: The contact information for the Bank in said paragraph is deleted and replaced with the following:

"For the Bank:

Ousman Jah
Program Coordinator
SACPK
The World Bank"
4. **Article 7, Section 7.01 is replaced as follows:**

"**Section 7.01.** Article 14 of the General Conditions shall be deemed to have been complied with, provided the amount contributed by the other donors to the Multi-Donor Trust Fund is sufficient to cover those amounts which are ineligible under the European Union rules, including cost recovery fees, or are applied to the financing of Program expenditures committed after December 31, 2015."

5. **Article 7, a new Section 7.04 is added as follows:**

"**Section 7.04.** As of the End Disbursement Date, the Contribution funds shall be deemed to have been utilized if the MDTF has disbursed or committed an amount equal to or larger than the total amount of the Contribution funds, taking into account **Section 7.01 above.** It is expected that no pro-rata share of the Commission under **Section 2.04 above** and no unexpended funds to be reimbursed to the Commission under **Section 17.03 of the General Conditions** shall be remaining at the End Disbursement Date. In the unlikely event that the MDTF has disbursed or committed less than the total amount of Contribution at the End Disbursement Date, the difference between the total amount of the Contribution funds and the total of such disbursed or committed amounts (taking into account **Section 7.01 above**) shall be agreed by the Commission and the Bank for return to the Commission."

6. **Annex I "Program Description" is replaced with the revised version annexed to this Amendment.**

7. **Annex III, Section 8.2 is replaced as follows:**

"**8.2** It is expected that the Contributions will be fully disbursed by the Bank by December 31, 2020. The Bank will only disburse Contributions for the purposes of this Administration Agreement after such date with the written approval of the Donors."

All other terms and conditions of the Administration Agreement remain unchanged. This addendum shall enter into force upon signature of a similar amendment to Annexes I and III to their respective Administration Agreement by all donors to the MDTF.

This addendum is drawn up in three originals, two for the Commission and one for the Bank.

For the European Union, represented by the Commission of the European Communities

Name: Bernard François
Position: Head of Cooperation
Signature
Date 3.11.2015

For the International Bank for Reconstruction and Development and International Development Association

Name: Anthony Cholst
Position: Acting Country Director
Signature
Date Nov 3, 2015
Annex to this Amendment

PROGRAM DESCRIPTION

PROGRAM OBJECTIVES, DESCRIPTION OF ACTIVITIES AND EXPENDITURES, AND GOVERNANCE ARRANGEMENTS FOR THE KP/FATA/BALOCHISTAN MULTI-DONOR TRUST FUND

This Annex will be applicable to, and form an integral part of, all arrangements signed 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 KP/FATA/Balochistan Multi-Donor Trust Fund.

A. Description of Activities

1. The purpose of the KP/FATA/Balochistan Multi-Donor Trust Fund is to support the implementation of a program of reconstruction and development aimed at facilitating the recovery of the affected regions in the Khyber Pakhtunkhwa Province (“KP”), the Federally Administered Tribal Areas (“FATA”) and the Province of Balochistan (“Balochistan”) from the impact of (i) the armed conflict, reducing the potential for escalation or resumption; and (ii) the floods of 2010.

2. To this end, the KP/FATA/Balochistan Multi-Donor Trust Fund will finance programs intended to: (i) promote enhanced, sustainable and accountable delivery of basic services; (ii) support livelihoods and community-based development of basic infrastructure and services; (iii) help communities to access assets and market opportunities and create the basis for viable income generating activities; (iv) support peace building and recovery, rehabilitation and reconstruction activities, and promote rapid crisis recovery in KP, FATA and conflict-affected districts of Balochistan; and (v) strengthen, (re)build and/or maintain government institutions in order to improve governance, the overall institutional performance and state effectiveness.

3. The KP/FATA/Balochistan Multi-Donor Trust Fund will have a recipient-executed window and a Bank-executed one, pursuant to the following description of activities:

(a) Recipient-Executed Trust Fund Activities (indicative implementation period August 2010 – December 2015)

(1) Restoring damaged infrastructure and disrupted services, including inter alia: (i) reconstructing health, education and government buildings, and providing equipment and supplies therefor; (ii) restoring damaged infrastructure in the power, transport, water supply, sanitation and irrigation sectors; and (iii) carrying out a program for owner-driven reconstruction or repair of housing damaged during the armed conflict and/or the floods of 2010.

(2) Improving local (district and/or union) service delivery, including inter alia: (i) increasing the capacity and accountability of local governments for resource management and service delivery; and (ii) providing basic infrastructure and delivering basic services to low income communities though community-driven development interventions.

(3) Improving provincial governance and service delivery, including, inter alia: (i) strengthening coverage, quality and governance of the education system by: (A) increasing enrolment rates, with particular emphasis in narrowing gender disparities, and improving learning outcomes; (B) strengthening administration and operation of schools; and (C) promoting better monitoring and evaluation (accountability) mechanisms; (ii) strengthening the quality of primary and secondary health care
services, as well as the stewardship of the health system; (iii) improving the coverage, targeting, efficiency and cost-effectiveness of the social protection system; (iv) strengthening justice service delivery and the rule of law; and (v) strengthening the institutional and technical capabilities of civil administration.

(4) Maintaining and/or reinforcing livelihoods of local communities through increased access to productive assets and market opportunities in order to facilitate income generating activities, including inter alia: (i) augmenting and/or recovering lost livestock; (ii) providing agricultural inputs such as fertilizers and seeds, and/or preparing land plots to restore production; (iii) providing micro-credits to low income communities; (iv) providing skills development and business development training to rural community members to foster new business ventures among poor rural households; and (v) promoting women's greater involvement and decision-making in income generating activities.

(5) Strengthening the technical capacity, and institutional arrangements and coordination, of KP's and Balochistan's line departments and agencies, as well as the FATA Secretariat, in order to carry out the post-crisis reconstruction efforts, including inter alia: (i) reviewing and revising policies, where appropriate, to consolidate peace and avert future conflicts by addressing their underlying causes; and (ii) supporting the KP's Provincial Reconstruction, Rehabilitation and Settlement Authority and FATA's Disaster Management Authority.

(b) Bank-Executed Trust Fund Activities (indicative implementation period: August 2010 December 2015)

(1) Providing technical advice to, and coordinating capacity building activities for, the Pakistan's, KPs', FATA Secretariats and Balochistan's governmental agencies and officials, including inter alia: (i) preparing analytical and advisory assistance studies, economic sector work, and sector strategy papers; and (ii) providing training to government officials.

(2) Establishing, managing and maintaining the KP/FATA/Balochistan Multi-Donor Trust Fund's Secretariat, and complying with Donors' coordination, reporting and fiduciary requirements applicable to the KP/FATA/Balochistan Multi-Donor.

(3) Processing project proposals, including inter alia: appraising, monitoring, supervising and evaluating the execution of recipient-executed projects funded by the Trust Fund, as well as the impact thereof.

(4) Administering the KP/FATA/Balochistan Multi-Donor Trust Fund.

(c) Recipient-Executed Trust Fund Activities: (Indicative implementation period: June 2015 – December 2020)

(1) Supporting growth and job creation, including inter alia: value addition in agriculture and livestock sectors, small-medium enterprise development, productive infrastructure development, public-private partnerships, skill development for men, women and vulnerable groups, assistance for upgrading of exploration technology with value chain and entrepreneurship development.

(2) Supporting policy reform and governance, including inter alia: capacity building of government institutions, strengthening of citizen engagement, improvement of transparency and accountability of government agencies, support to improved domestic resource mobilization, up-scaling of the grievance redress mechanism, strengthening of civil society organizations, reforms in procurement procedures,
support to implementation of communication strategies, implementation of Public Expenditure and Financial Accountability (PEFA) recommendations, strengthening of monitoring and evaluation systems, technical support to Disaster authorities, and support to judicial systems.

(3) Supporting service delivery, including, inter alia: construction of schools, rehabilitation and life management aid to persons with disabilities, support to gender mainstreaming, implementation of water supply and sanitation policies and improvement of water resource management, mainstreaming of the madaris, improvement of incentives for female teachers and students, and support to social safety net initiatives.

(d) Bank-Executed Trust Fund Activities: (June 2015 – December 2020)

(1) Technical Assistance, Analytical Work and Institutional Capacity Building

Providing technical advice to, and coordinating capacity building activities for, the Pakistan’s, KPs’, FATA Secretariats and Balochistan’s governmental agencies and officials, including inter alia: (i) preparing analytical and advisory assistance studies, economic sector work, and sector strategy papers; and (ii) providing training to government officials.

(2) Program management and Trust Fund Administration

Providing Program management and Trust Fund administration services including supporting the Administrator/Trust Fund Secretariat related to staff and management support, monitoring and reporting on the use of funds, preparing meetings scheduled for the management and governance of the Trust Fund.

(3) Implementation support for Recipient-Executed activities

Providing implementation support for Recipient-executed activities, including monitoring and supervision and impact evaluation.

(4) Donor Coordination

Carrying out activities necessary for donor coordination including through meetings and discussions.

(5) Knowledge, Learning and Communication

Carrying out knowledge, learning and communication activities including program level communication and outreach, management of the relationship and communications with the Recipients, media events, dissemination and workshops.

B. Categories of Expenditures

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

(a) Consulting services;
(b) Goods and non-consulting services;
(c) works;
(d) recurrent costs;
(e) conditional cash transfers;
(f) sub-grants (both in cash or in kind)
(g) operating costs;
training;
(i) interest during construction;
(j) resettlement compensation (including land purchase); and
(k) other eligible expenditures in accordance with the Bank’s applicable policies and procedures.

Notwithstanding the foregoing, the Donors accept that in the event that the Trust Fund were to finance a recipient-executed project to be implemented, whether in whole or in part, by a United Nations’ agency or program signatory to the Fiduciary Principles Accord concluded in December 2008 (the “FPA”), the Bank will on-grant or disburse the proceeds of the Trust Fund to such signatory agency or program (the “UN-FPA Signatory”) pursuant to the provisions of the FPA, for the financing of the expenditures incurred by the UN-FPA Signatory during the implementation of said project, in accordance with the UN-FPA Signatory’s rules, regulations, policies and procedures consistent with the standards reflected in the FPA, and the FPA Standard Provisions.

(2) For Bank-executed activities, the Trust Fund funds may be used to finance eligible expenditures defined in the relevant Grant Agreement with the Recipient, including:

(a) associated overheads;
(b) consultants’ fees (individuals and firms, with indirect costs of individual consultants);
(c) contractual services;
(d) equipment and office premises lease cost;
(e) extended term consultant with indirect costs;
(f) field assignment benefits;
(g) media, training, workshop, conference and meeting;
(h) staff cost with indirect costs;
(i) temporary support staff costs with indirect costs; and
(j) travel expenses.

C. Governance Arrangements

The KP/FATA/Balochistan Trust Fund will have a three-tier governance structure consisting of a Trust Fund Steering Committee (“TFSC”), Advisory Committee (AC) and an Administrator/Trust Fund Secretariat as described herein below:

(1) TFSC

(a) The TFSC consists of representatives of the Government (federal, provincial and FATA), contributing donors, the World Bank (IDA) as Administrator, and an observer group comprising representatives of the Asian Development Bank (ADB), the United Nations (UN), Switzerland and the Islamic Development Bank (IsDB). The World Bank, as Administrator, will be represented by its Country Director for Pakistan or his/her designee.

(b) The TFSC is co-chaired by the Government of Pakistan Economic Affairs Division (EAD) and the World Bank (as Administrator); it acts collectively and makes decisions by consensus. The TFSC will meet at least on a semi-annual basis.

(c) The TFSC is responsible for:

- Setting the strategic priorities of the Trust Fund to support the development priorities identified in the Post Crisis Needs Assessment for KP and FATA and Balochistan.
- Endorsing the Trust Fund’s programs, financing strategy and providing policy direction to the Administrator/Trust Fund Secretariat on the Trust Fund’s strategic goals;
- Reviewing the progress and performance of the Trust Fund operations and ensuring that operations are well aligned with the strategic priorities of the Trust Fund;
• Reviewing the Trust Fund’s strategic priorities to adapt to emerging challenges and opportunities;
• Providing advocacy support for the Trust Fund;
• Reviewing and approving the financial strategy for the overall allocation of resources among the various pillars of the recipient-executed trust fund activities; and
• Approving activities for financing by the Trust Fund through FPA Grants.

(2) AC

(a) The Advisory Committee comprises: (i) the Trust Fund donors (In addition to the UNDP, non-Trust Fund donors can be invited as observers with a maximum of 2 on a rotating basis); (ii) representatives of the three provinces (KP, FATA and Balochistan); (iii) the EAD, P&D, and representatives from Line Departments as needed; and, (iv) the Administrator, acting as secretariat and facilitator.

(b) The AC will:

• Conduct the first round of deliberations on issues of strategic relevance to the Trust Fund such as resource allocations, the programmatic approach of the Trust Fund and its operationalization, pledging, and identifies issues on which strategic TFSC guidance is needed;
• Make recommendations for decisions to the TFSC and agrees in advance the agenda of the TFSC, inform the TFSC on prior discussions in the AC and the consensus reached;
• Ensure that issues that come to the TFSC are sufficiently researched in advance and that knowledge gaps have all been addressed;
• Discuss the implementation of Trust Fund activities, challenges faced and their potential resolution, disbursements, lessons learned, rationale for additional financing etc;
• Hold ad-hoc review meetings as necessary to discuss the Trust Fund portfolio and particular issues or bottlenecks, and advises on ways forward; and
• Be kept informed as necessary of project-level developments, including restructurings, project extensions, and analytical work, including activities executed by the Bank.

(3) Administrator/Trust Fund Secretariat

(a) The Bank acting as Administrator/Trust Fund Secretariat will: (i) handle the day-to-day operations of the Trust Fund, including coordinating development partners and Donors cooperation, and maintaining the Trust Fund’s records; (ii) arrange/coordinate TFSC’s meetings and communications, as well as the maintenance of records thereof; (iii) review and approve the initiating grant requests, including budget allocations, submitted by Pakistan’s federal government, and/or the departments or agencies of KP, Balochistan or the FATA Secretariat (except for FPA Grants); (iv) provide guidance and clarification to project applicants and grant recipients on the Trust Fund policies, processes and procedures; (v) coordinate project-specific activities (for all projects other than those executed under the FPA) such as project appraisals, supervision, monitoring and evaluation, and the recruitment and/or assignment/secondment of appropriate project staff; (vi) prepare semi-annual reports on the Trust Fund performance for submission and approval by the TFSC; and (vii) ensure effective communication and dissemination of the Trust Fund activities and coordinate the Trust Fund external relations.

(b) The Administrator/Trust Fund Secretariat will serve as focal point for any comments or complaints as to the functioning of the Trust Fund, including consistency with overall guidance provided by the TFSC, the identification and selection of projects
and recipients of grants, compliance with procurement procedures, and monitoring and evaluation of project implementation. The Administrator/Trust Fund Secretariat will: (i) report immediately to the members of the TFSC any serious breach of the rules herein established for the KP/FATA/Balochistan Trust Fund; and (ii) report on an annual basis any such comments or complaints that will have been received by the Administrator/Trust Fund Secretariat, and the actions taken in their response.

D. FPA

Projects to be implemented by a UN-FPA Signatory pursuant to the FPA will be implemented in accordance with the FPA Standard Conditions.