His Excellency Mr. Glenn White
Ambassador
Australian Embassy
Bansbari, Kathmandu

Your Excellency:

Supplemental Arrangement between the Government of Australia acting through the Department of Foreign Affairs and Trade and the International Development Association regarding the Nepal Public Financial Management Support Multi-Donor Trust Fund (Trust Fund No. TF072582 parallel to original Trust Fund No. TF071617) (DFAT Arrangement 72465)

1. Reference is made to the Administration Arrangement between the Government of Australia acting through the Department of Foreign Affairs and Trade (the “Donor”) and the International Development Association (the “Bank” and together with the Donor, the “Participants” and each a “Participant”), regarding the Nepal Public Financial Management Support Multi-Donor Trust Fund No. TF071617 effective as of May 6, 2011, as amended (the “Administration Arrangement”).

2. In connection with the Administration Arrangement, and in support of the Nepal Public Financial Management Support Multi-Donor Trust Fund, the Bank acknowledges that the Donor has decided, subject to legislative appropriations, to provide a contribution in the amount of two million eight hundred thousand Australian Dollars (A$2,800,000) (the “Contribution”) in accordance with the terms of this Supplemental Arrangement (the “Supplemental Arrangement”).

3. In order to apply the Bank’s new cost recovery provisions, the Bank has established a new parallel trust fund account (Trust Fund No. TF072582) (the “Parallel Account”) for purposes of receiving contributions for the Nepal Public Financial Management Support Multi-Donor Trust Fund, which will be administered in parallel with the original trust fund account (Trust Fund No. TF071617) (the “Original Account”), both of which accounts constitute the Nepal Public Financial Management Support Multi-Donor Trust Fund.

4. The Donor will deposit the Contribution in the currency specified in Section 2 above into such bank account designated by the Bank promptly following effectiveness of this Supplemental Arrangement and submission of a payment request by the Bank.

5. When making a deposit, the Donor will 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 Trust Fund No. TF072582 (the Nepal Public Financial Management Support Multi-Donor Trust Fund), and the date of the deposit (the “Deposit Instructions”). In addition, the Donor will provide a copy of the Deposit Instructions to the Bank’s Accounting Trust Funds Division by e-mail sent to tfiremitadvice@worldbank.org or by fax sent to (202) 614-1315.

6. The Parallel Account, including with respect to the Contribution funds and any other funds contributed thereto, will be governed by the terms of the Administration Arrangement.
Arrangement, except that the revisions specified in the Schedule attached to this Supplemental Arrangement will apply.

7. For clarity, (a) subject to Section 6 above, all other terms of the Administration Arrangement, as such terms may be amended from time to time, will apply to the funds in the Parallel Account; and (b) all funds in the Original Account will be governed by the terms of the Administration Arrangement, as such terms may be amended from time to time, without regard to this Supplemental Arrangement.

8. At the date of Bank’s signature of this Supplemental Arrangement, the Indirect Rate (as defined in the Schedule to this Supplemental Arrangement) is 17%.

9. The Bank will disclose this Supplemental Arrangement in accordance with the Bank’s Policy on Access to Information. By entering into this Supplemental Arrangement, the Donor consents to such disclosure.

10. It is understood that this Arrangement, including its Schedule, is not an international treaty and is not eligible for registration as a treaty under Article 102 of the United Nations Charter, nor is it, in the Donor’s understanding, any other form of international agreement. It is an administrative arrangement between the Bank and the Donor.

11. All references made in the Schedule of the Supplemental Arrangement to “shall”, will have the same meaning as the term “will”.

12. Each of the Participants represents, by confirming its acceptance below, that it is authorized to enter into this Supplemental Arrangement and act in accordance with its provisions. The Bank and the Donor are requested to sign and date this Supplemental Arrangement, and upon possession by the Bank of this fully signed Supplemental Arrangement, this Supplemental Arrangement will become into effect as of the date of the last signature.

INTERNATIONAL DEVELOPMENT ASSOCIATION

By: [Signature]
Name: Bigyan Pradhan
Title: Acting Country Manager

GOVERNMENT OF AUSTRALIA
acting through the Department of Foreign Affairs and Trade

By: [Signature]
Name: Stephen Rowe
Title: Acting Ambassador
Schedule

Revisions to the Administration Arrangement for Purposes of the Parallel Account Only

(A) Section 4 (Administrative Cost Recovery) of Annex 2 of the Administration Arrangement is hereby eliminated.

(B) Section 2(b)(iv) of Annex 1 of the Administration Arrangement is hereby substituted with the following:

“(iv) Trust Fund Program Administration and Management: Program management and administration activities for the Trust Fund, including but not limited to, supporting any program governance arrangements and Trust Fund related meetings; planning and executing work plans and budgets; managing communications and conducting outreach; disseminating lessons learned; reporting on progress; and monitoring and evaluating the program. These activities will be carried out by the World Bank.”

(C) Section 4(ii) of Annex 1 of the Administration Arrangement is hereby substituted with the following terms:

“(ii) The following eligible expenditures categories may be used to finance Bank-executed activities:

(a) staff costs (excluding short term consultants and temporaries, and also excluding extended term consultants and temporaries);
(b) extended term consultants and temporaries;
(c) short-term consultants and temporaries;
(d) contractual services;
(e) travel expenses;
(f) media, workshops, conferences and meetings;
(g) equipment and office premises lease cost; and
(h) equipment purchased.

(iii) For purposes of the above expenditure categories: (a) “staff costs (excluding short term consultants and temporaries, and also excluding extended term consultants and temporaries)” includes salaries, benefits and indirect rates charged to the Trust Fund as applicable under Bank policies and procedures; (b) “extended term consultants and temporaries” includes fees, benefits and indirect rates charged to the Trust Fund as applicable under Bank policies and procedures; and (c) “short term consultants and temporaries” includes fees and indirect rates charged to the Trust Fund as applicable under Bank policies and procedures.

(iv) The “Indirect Rate” means the indirect rate, defined as a percentage of personnel costs and available at the World Bank’s Donor center secure website, as such rate may be revised from time to time by the Bank and applied to this Trust Fund, in accordance with its policies and procedures.”

(C) The following Section is added to Annex 2 of the Administration Arrangement:

"New Trust Fund Ex"
The Bank shall calculate a fee each time funds (the "Grant Amount") from the Trust Fund become committed under a Grant Agreement. Such commitment shall occur when such Grant Agreement is fully countersigned (the "Calculation Date"). The fee so calculated by the Bank shall be based on the cumulative total of funds from the Trust Fund committed under all Grant Agreements that have been fully countersigned on or prior to the Calculation Date (the "Cumulative Grant Total"). The calculated fee shall depend on where the Cumulative Grant Total stands as the Grant Amount is added and shall be determined in accordance with the following schedule:

(i) 5% of any portion of the Grant Amount that results in a Cumulative Grant Total below or equal to US$ 50 million or equivalent; plus
(ii) 4% of any portion of the Grant Amount that results in a Cumulative Grant Total above US$ 50 million or equivalent and below or equal to US$ 500 million or equivalent; plus
(iii) 3% of any portion of the Grant Amount that results in a Cumulative Grant Total above US$ 500 million or equivalent and below or equal to US$ 1 billion or equivalent; plus
(iv) 2% of any portion of the Grant Amount that results in a Cumulative Grant Total above US$ 1 billion or equivalent.

Following each Calculation Date, the Bank shall deduct from the trust fund account, TF No. TF072582, and retain for its own account, the fee as set forth above. Grant Amounts may not exceed the balance of uncommitted funds in such account net of the related fee."