Ms Sun-Hee Lee  
Acting Assistant Director General  
North and South Asia Branch  
Asia Division  
Australian Agency for International Development  
GPO Box 887  
Canberra ACT 2601


Dear Madam:

1. We are pleased to acknowledge on behalf of the International Bank for Reconstruction and Development ("IBRD") and International Development Association ("IDA") (collectively the "Bank") that the Government of Australia, acting through the Australian Agency for International Development ("AusAID" or the "Donor") shall make available as a grant the sum of two million seven hundred and seventy eight thousand Australian Dollars (AUD $2,778,000) (the "Contribution") for the South Asia Food Security and Nutrition Initiative Trust Fund (the "Trust Fund") in accordance with the provisions of this Agreement. Other donors are also expected to contribute to the Trust Fund in accordance with the provisions specified in the Annexes to this Agreement.

2. The Contribution shall be used to finance the activities and the categories of expenditure set forth in the "Description of Activities and Expenditures and Governance Arrangements under the South Asia Food and Nutrition Security Initiative Trust Fund" 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 including the "Standard Provisions Applicable to the Trust Fund" (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 Agreement and submission of a payment request by the Bank to the Donor, one million five hundred and seventy eight thousand Australian Dollars (AUD $1,578,000);
(b) on or before March 31, 2012, upon submission of a payment request by the Bank to the Donor, an installment of six hundred thousand Australian Dollars (AUD $600,000); and

c) on or before March 31, 2013, upon submission of a payment request by the Bank to the Donor, an installment of six hundred thousand Australian Dollars (AUD $600,000).

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 TF071473 (the South Asia Food and Nutrition Security Initiative Trust Fund), 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. Where the Contribution proves to be insufficient to complete the activities as a result of an exchange rate fluctuation, neither the Bank nor the Donor will 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 Agreement will be in writing and delivered by mail, facsimile or e-mail to the respective entity’s address specified below or at such other address as each entity notifies in writing to the other from time to time:
For the Bank:

Animesh Shrivastava
South Asia Food and Nutrition Security Initiative Trust Fund Manager
SASDA (SASSD/SARVP)
The World Bank
1818 H Street, NW (Mail Stop MC 10-183)
Washington, DC 20433
U.S.A.

Tel: +1 202 473-3652
Fax: +1 202 522 1770
E-mail: Ashrivastava@worldbank.org

For the Donor:

Nastu Sharma
Senior Program Manager
AusAID, Australian Embassy
PO Box 879
Bansbari, Kathmandu, Nepal

Tel: +977 1 4371678
Fax: + 977 1 4371533
E-mail: nastu.sharma@dfat.gov.au

7. All annexes hereto constitute an integral part of this Agreement. This Agreement may be amended only in writing between the Bank and the Donor; provided, however, that such annexes may be amended only with the express consent of all donors contributing to the Trust Fund.

8. Please confirm your understanding 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

By/s John Henry Stein
John Henry Stein
Sector Director, Sustainable Development
South Asia Region

AGREED

GOVERNMENT OF AUSTRALIA THROUGH THE AUSTRALIAN AGENCY FOR INTERNATIONAL DEVELOPMENT (AusAID)

By/s Sun-Hee Lee

Name: Sun-Hee Lee
Title: Acting Assistant Director General, North and South Asia Branch
Date: 5th May 2011
ANNEX 1

Description of Activities and Expenditures and Governance Arrangements under the South Asia Food and Nutrition Security Initiative Trust Fund

This Annex will be applicable to and form an integral part of all arrangements and/or 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. DESCRIPTION OF ACTIVITIES

Trust Fund Development Objective

The development objective of the Trust Fund is to increase the commitment of governments and development partners in SAR to more effective and integrated food and nutrition security related policies and investments.

Activities that may be financed under the Trust Fund

The Trust Fund may finance activities (“Activities”) designed to support: (i) collection and analysis of evidence; (ii) awareness-raising and advocacy, and (iii) institutional capacity enhancement, all with regard to promoting food and nutrition security in the following countries: Afghanistan; Bangladesh; Bhutan; India; Nepal; Pakistan, and Sri Lanka, as well as coordination between these countries in the aforementioned areas.

(a) Bank-Executed Trust Fund Activities may include:

(i) Support for agenda and policy development (such as for example: data collection and analysis of evidence for wider dissemination; communication and outreach; providing policy advice; promoting inter-country dialogue on food security and nutrition; addressing learning needs of governments and other development partners);

(ii) Support for program and project implementation (such as for example: scaling up innovative and successful activities; programming guidance; capacity building), and

(iii) Project identification, preparation, appraisal and supervision.

(b) Recipient-Executed Trust Fund Activities may include:

(i) Establishment of one or more regional centers for development and stewardship of the food and nutrition security agenda;
(ii) Collection and analysis of evidence to generate better understanding of food and nutrition security related issues;

(iii) Carrying out of communication and outreach, including awareness-raising and advocacy amongst potential policy makers, opinion-makers and (program) decision makers; and

(iv) Capacity building activities, training and workshops.

B. CATEGORIES OF EXPENDITURE

The following will be considered eligible expenses to be financed under the Trust Fund.

(a) Bank-Executed activities:
   (i) Associated overheads;
   (ii) Consultants fees (including Short Term Consultants and Extended Term Consultants);
   (iii) Contractual services;
   (iv) Equipment costs lease;
   (v) Media and workshop costs;
   (vi) Staff Costs;
   (vii) Temporary Staff costs; and
   (viii) Travel expenses related to SAFNSI, incurred by regular Bank staff and the staff and consultants listed in paragraphs (ii) and (vii) above.

(b) Recipient-Executed activities:
   (i) Works;
   (ii) Goods;
   (iii) Consultant Services;
   (iv) Training and Workshops; and
   (v) Operating Costs.

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

C. GOVERNANCE ARRANGEMENTS

1. The Donors will be members of a SAFNSI Donor Committee and as such will be regularly informed of the progress of implementation of the Trust Fund. The SAFNSI Trust Fund Manager will prepare an annual report on implementation progress for Donors to review at the annual meeting of the Donor Committee.

2. The day to day operations of the Trust Fund will be conducted by the SAFNSI Trust Fund Manager appointed by the Bank who will be responsible for program delivery and ensuring effective communication with Donors. In developing an annual work
program the SAFNSI Trust Fund Manager will consult with the Steering Group of the Donor Committee which will be elected by the full Donor Committee if it so chooses (or the full Donor Committee if no Steering Group is established). The role of the Steering Group (or full Donor Committee) will be too:

(a) Provide advice to the SAFNSI Trust Fund Manager on issues regarding the operation of the program;
(b) Review the operations of the program and provide feedback to the SAFNSI Trust Fund Manager on the projects proposed to be pursued; and
(c) Review the proposed annual budget and business plan for the forthcoming fiscal year.

3. Meetings of the Donor Committee and Steering Group may take place by telephone or such other communication facilities as permit all members to participate.
ANNEX 2

Standard Provisions Applicable to the Trust Fund

This Annex shall be applicable to and form an integral part of all arrangements and/or 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 Agreement (or Arrangement, as the case may be) and shall not be subject to any other duties or responsibilities to the Donors, including, without limitation, any duties or commitments that might otherwise apply to a fiduciary or trustee under general principles of trust or fiduciary law. Nothing in this Agreement (or Arrangement, as the case may be) shall be considered a waiver of any privileges or immunities of the IBRD and IDA under their Articles of Agreement 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 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.

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 of administration and other expenses incurred by the Bank under this Agreement (or Arrangement, as the case may be), the Bank may deduct and retain for its own account, from the Contributions, an amount equal to two percent (2%) of each Contribution. In addition, costs for program management and administration up to a maximum of five hundred and thirty-nine thousand five hundred and thirty-eight United States Dollars (US$539,538) will be charged to the Trust Fund on an actual basis. If the contributions increase beyond what was originally expected at the time of counter-signature of the first administration agreement or arrangement and the administrative costs increase as a result, the Donors acknowledge that an additional administrative fee may be applied to such new contributions.

4. **Grants to Recipients**

4.1. The Bank shall, as administrator of the Trust Fund on behalf of the Donors, enter into grant agreements (the “Grant Agreements”) with eligible recipients (the “Recipients”) consistent with the purposes of this 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 and arrangements between the Bank and the Donors. Upon request by a Donor, the Bank shall furnish a copy of the Grant Agreements to the Donors.

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

4.3. 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.

5. **Procurement**

5.1. For Recipient-executed activities, the Grant Agreements shall provide that the Contributions shall be used by the Recipients to finance expenditures for goods and services, as the case may be, in accordance with the Bank’s Guidelines on “Procurement under IBRD Loans and IDA Credits” and the Bank’s Guidelines on the “Selection and Employment of Consultants by World Bank Borrowers,” as in effect at the date of entry into the respective Grant Agreements.

5.2. 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.

6. Accounting and Financial Reporting

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

6.2. 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.

6.3. 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.

6.4. 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 jointly decide 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.

6.5. The Bank shall provide the Donors with copies of all financial statements and auditors’ reports received by the Bank from the Recipients pursuant to the Grant Agreements.

7. Progress Reporting

7.1. 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 8.1, the Bank shall furnish to the Donors a final report on the activities financed by the Trust Fund.

7.2. Any Donor may review or evaluate activities financed by the Trust Fund. The Donor and the Bank shall jointly decide 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.

8. **Disbursement; Cancellation; Refund**

8.1. It is expected that the Contributions will be fully disbursed by the Bank by September 30 2013. The Bank shall only disburse Contributions for the purposes of this Agreement after such date with the written approval of the Donors.

8.2. 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 Agreement (or Arrangement, as the case may be) prior to the receipt of such notice, including the Grant Agreements.

8.3. Following the final disbursement date specified in paragraph 8.2, the Bank shall return any remaining balance of the Contributions to the Donors on a pro rata basis based upon the ratio of each Donors' paid-in Contributions to the sum of all Donors' paid-in Contributions. In the event of a cancellation of an individual Donor's pro rata share of uncommitted Contribution funds in accordance with paragraph 8.3, the Bank shall promptly return such cancelled balance to the relevant Donor on the same pro rata basis.

9. **Disclosure**

The Bank may disclose this Agreement (or Arrangement, as the case may be) and information on this Trust Fund in accordance with the Bank's policy on disclosure of information, in effect at the time of such disclosure. By entering into this Agreement (or Arrangement, as the case may be), Donors consent to disclosure of this Agreement (or Arrangement) and information on this Trust Fund.