

CHANNEL FINANCING ARRANGEMENT

between the

NETHERLANDS MINISTER FOR DEVELOPMENT COOPERATION

and the

ASIAN DEVELOPMENT BANK

in regard to a Contribution to the Cooperation Fund
in Support of the Formulation and Implementation of National Poverty Reduction Strategies

Dated as of _____

CHANNEL FINANCING ARRANGEMENT between the NETHERLANDS MINISTER FOR DEVELOPMENT COOPERATION (hereinafter referred to as the Minister) and the ASIAN DEVELOPMENT BANK (hereinafter referred to as ADB).

WHEREAS the Minister has indicated the intention to make available a grant contribution (hereinafter called the Contribution) to the Cooperation Fund in Support of the Formulation and Implementation of National Poverty Reduction Strategies established in accordance with the arrangements described in the ADB Board Paper attached hereto as Annex 1 (hereinafter called the Fund) for the purpose of financing all or part of the program of activities described in Paragraph 3 of this Arrangement (hereinafter referred to as the Program with Netherlands activity number RA 012601) and has requested the assistance of the ADB to administer the Contribution; and

WHEREAS ADB has agreed to assist the Minister in the administration of the Contribution upon the terms and conditions hereinafter set forth;

The Minister and ADB have agreed as follows:

Paragraph 1: Amount of the Contribution

The Minister will provide a contribution to the Fund in the amount of 15 million Dutch Guilders (NLG 15,000,000 or EUR 6,806,703.24) to finance the Program. The Program will begin in November 2001 and will be completed by 31 August 2004.

Paragraph 2: Recipients of the Contribution

The recipients of the Contribution (hereinafter referred to as the Recipients) shall be developing member countries of ADB (DMCs) and institutions and organizations operating in such countries.

Paragraph 3: The Program

The Program shall consist of carrying out technical assistance projects in support of the formulation and implementation of national poverty reduction strategies in DMCs, including strengthening participatory and consultative processes, capacity building activities, advisory services, research support, and other activities which may be agreed upon between the Minister and ADB. The eligible activities of the Program are more fully described in Annex 1.

Paragraph 4: Implementation of the Program

- (a) The ADB shall submit annual work programs of the Fund to the Minister for approval. Such work programs shall include a general description of the activities to be financed by the Fund under the Program during the following year and their rationale.
- (b) ADB shall be responsible for the selection and engagement of consultants, negotiation and conclusion of contracts, procurement of equipment, and the supervision of projects to be financed out of the Contribution, and disbursements in connection therewith. The selection and engagement of consultants shall follow ADB's *Guidelines on the Use of Consultants*, as amended from time to time, and the procurement of goods and services

shall be in accordance with ADB's *Guidelines for Procurement*, as amended from time to time.

- (c) ADB shall require that its staff and the consultants under the Program financed by the Minister will not offer third parties or seek or be promised from or by third parties, for themselves or for any other party, any gift, remuneration, compensation or profit of any kind whatsoever, which could be interpreted as an illegal or corrupt practice.
- (d) ADB shall discharge its responsibility as administrator of the Contribution in accordance with ADB's normal procedures for technical assistance projects and the financial regulations and rules approved by ADB's Board of Directors.
- (e) ADB may do any and all such acts and things as may be necessary or appropriate for the proper administration of the Contribution and for carrying out the Program.

Paragraph 5: Disbursement of Contribution

- (a) During the calendar years 2001 to 2003, the Minister shall deposit the Contribution in installments in a US dollar interest-bearing account specified by ADB (the ADB account). The transfer of the first installment, the amount of which will be based on the cost estimate provided by ADB, will be made to the ADB account, upon receipt by the Minister of a duly signed and dated original Arrangement. Subsequent installments will be transferred after receipt of a written payment request as well as the applicable financial and progress reports submitted by ADB in accordance with Paragraph 8 of this Arrangement. The installments will be based on actual project progress achieved and estimated liquidity needs. The Minister reserves the right to fulfill the obligations of the Minister where and as applicable in the legally acceptable currency of the Netherlands at the time of payment.
- (b) Pending disbursement, ADB may invest and reinvest the Contribution proceeds and any income earned in respect of such investment and reinvestment, as well as any interest earned in respect of the ADB account, shall be credited to the ADB account and used for the purposes of the Program and/or to defray all or a portion of the administration costs which may be agreed pursuant to Paragraph 6 of this Arrangement.
- (c) If other currencies are required for payment to meet any eligible expenditure, ADB may purchase the required currencies with the proceeds of the Contribution. Any fees and charges relating to such purchase shall be paid out of the Contribution.

Paragraph 6: Administration Fee

ADB may use part of the Contribution (together with any income and interest earned thereon pursuant to Paragraph 5(b) of this Arrangement) to cover ADB's service charge for the administration of the Contribution in the amounts and on such terms as are in accordance with ADB's policies.

Article 7: Exchange of Information

ADB shall, in accordance with its usual procedures: (i) furnish the Minister such reports and information as the Minister may reasonably request concerning the progress of the Program;

and (ii) inform the Minister promptly of any condition which interferes, or threatens to interfere, with the performance by ADB of its obligations under this Arrangement.

Paragraph 8: Records and Accounts

- (a) ADB shall maintain records and accounts, in accordance with its normal procedures, to show contributions, interest income, and expenditures financed by the Contribution.
- (b) ADB shall furnish to the Minister semi-annually progress and financial reports on the execution of the Program and the receipt and utilization of the Contribution. These reports shall be submitted within three months after the end of the reporting period.
- (c) ADB will submit to the Minister, not later than four months after completion of the Program, a final report as well as a financial statement showing the funds received and expended for the Program.
- (d) ADB shall make available to the Minister such documents and records concerning the Program as the Minister may reasonably require in connection with any audit of Program accounts conducted and financed by the Minister.
- (e) At the Minister's request, ADB shall produce special audit opinions and/or audit reports on the Program. Such audits shall be at the Minister's expense.
- (f) The Minister may stop transfer(s) or claim repayment of all or part of the funds already transferred if contractual and/or reporting and accounting duties are not met; or if it emerges, either from the reports referred to above or from some other source, that the funds are not being used or have not been used for the implementation of the Program agreed, or if alternative funding (this including other contributions) proves to have been obtained (either wholly or in part), thus giving rise to double financing.

Paragraph 9: Consultation

- (a) The Minister and ADB shall consult each other, in particular whenever either party proposes to: (i) materially modify any agreement entered into for the implementation of this Arrangement; or (ii) suspend or terminate, in whole or in part, disbursements under this Arrangement.
- (b) The Minister and ADB shall also consult whenever ADB identifies a major change of scope in relation to any activities financed under the Contribution.

Paragraph 10: Review of the Program

The Minister and ADB shall enter into discussions each year after this Arrangement enters into force to review the operation of the Program and the administration of the Contribution. After two years, a joint mid-term review shall be carried out. After the Contribution has been fully committed, the Minister and ADB shall undertake a joint evaluation of the Program with a view to considering a further contribution to the Fund by the Minister on terms and conditions to be agreed between the Minister and ADB. An important element of this evaluation will be the extent to which the Program has succeeded in facilitating the in-country processes of formulation and implementation of poverty reduction strategies, and in strengthening ADB's role in this process.

Paragraph 11: Entry into Force and Termination

This Arrangement shall enter into force on the date it is signed by the parties hereto and shall remain valid until terminated by either party upon three months' prior written notice to the other party; provided, however, that unless the parties otherwise agree, the activities carried on by ADB under this Arrangement and the financial undertakings of the Minister in relation to a particular project (both as reflected in the relevant technical assistance letter agreement with the Recipient) shall not be affected by such notice or termination pursuant thereto. Any unused funds will be returned unconditionally to the Minister.

Paragraph 12: Addresses

Unless otherwise specified in writing to the other party, correspondence relating to the implementation of this Arrangement shall be addressed to the following:

(a) for the Minister:

Ministry of Foreign Affairs
The Netherlands

Facsimile Number: (31-70) 348-4803 (Direct)

Attention: DVF/IF
(with copy to the representative of the
Netherlands on ADB's Board of Directors)

(b) for the Bank:

Asian Development Bank
P.O. Box 789
1099 Manila, Philippines

(i) General Communications and Financial Matters:

Attention: Office of Cofinancing Operations

Facsimile Numbers: (63-2) 636-2456 (Direct)
(63-2) 636-2444 (Central)

(ii) Technical and Implementation Matters:

Attention: Poverty Reduction Unit
Strategy and Policy Department

Facsimile Numbers: (63-2) 636-2182 (Direct)
(63-2) 636-2444 (Central)

Paragraph 13: Amendments

Any amendments and modifications to this Arrangement shall be made by mutual consent and in writing.

Paragraph 14: Settlement of Disputes

If any dispute arises between the signatories as to the interpretation, application or performance of this Arrangement or with regard to any further Arrangement which may result therefrom which cannot be settled amicably, either signatory may invite the other to conciliate the dispute under the Permanent Court of Arbitration Optional Conciliation Rules, as in effect on the date this Arrangement has been signed by both parties. The number of conciliators shall be one.

Signed:

FOR THE NETHERLANDS MINISTER
FOR DEVELOPMENT COOPERATION

FOR THE ASIAN DEVELOPMENT BANK

Name: _____
Title: _____
Date: _____

TADAO CHINO
President
Manila, Philippines
Date: _____