

GOVERNANCE COOPERATION FUND

November 2001

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I. BACKGROUND

1. In October 1995, the Asian Development Bank (ADB) became the first multilateral development bank (MDB) to have a board-approved policy on governance (the Governance Policy).¹ The Governance Policy became the basic building block for a cluster of good governance policies, which now includes policies on procurement, law and policy reform,² participation of civil society,³ and anticorruption.⁴ Good governance has since also been established as one of the first pillars of ADB's Poverty Reduction Strategy.⁵

2. In 2000, the ADB reviewed the evolution of its policy on governance, and adopted a medium-term agenda and action plan (the Action Plan) for its future activities in governance. The Action Plan aims at activities to enhance the quality of governance in the DMCs and elevate good governance to the top level of development agenda in the Asia and Pacific Region (the Region).

II. ADB'S GOVERNANCE STRATEGY

3. Given the complexity of the governance issues and the state of knowledge on the direct relationship between good governance and effective government at the time the Governance Policy was adopted, a gradual strategy of learning-by-doing was adopted by the ADB for its implementation. This strategy focused on dialogue with the DMCs to identify governance areas most suitable for ADB's interventions; initiating activities to increase the understanding of governance issues by DMC officials; and to forge a broad constituency for good governance in the Region through numerous, but ad-hoc regional activities.

4. The result of these activities has been to achieve some success to lay the groundwork for improved governance by improving processes and frameworks, such as, *inter alia*, the budgetary processes, compliance auditing, procurement, drafting the needed legislation, corporate governance, and requiring participatory procedures in ADB-funded activities. However, capacities remain limited and effectiveness is still elusive as the change in attitudes to see the value of public sector functions in the light of customer satisfaction has not been forthcoming. Putting laws and regulations in place is one thing and having them made accessible to those who should benefit from the laws is another.

5. On the positive side, today, there is a widespread recognition of the importance of good governance in the Region. The links between good governance and sustainable economic and social development are now broadly understood and more generally accepted. The quality of governance is today the subject of a healthy debate in many DMCs. Consequently, the ADB can now pursue a broader and more vigorous governance agenda in the Region.

¹ R151-95: *Governance: Sound Development Management*, 17 August.

² IN 42-98: *A Review of the Law and Development Activities of the Asian Development Bank*, 18 February.

³ R54-98: *Cooperation between the Asian Development Bank and Non-government Organizations*, 27 March.

⁴ R89-98: *Anticorruption Policy*, 11 June.

⁵ R179-99: *Fighting Poverty in Asia and the Pacific: The Poverty Reduction Strategy of the Asian Development Bank*, 19 October. The other two pillars are (i) pro-poor, sustainable economic growth; and (ii) social development.

6. Cognizant of the need to pursue such an agenda, the ADB adopted in 2000 an Action Plan which aims to (i) elevate governance issues to the top level of the development agenda in the Region; (ii) develop a consensus on regional benchmarks, codes of conduct and best practices across the whole range of public and private sectors, and indicators of good governance; and (iii) enhance the quality of governance in individual DMCs.

III. RATIONALE FOR ESTABLISHMENT OF THE GOVERNANCE COOPERATION FUND

7. The ADB's governance agenda is ambitious by any account, and its successful implementation requires substantial additional resources. Further, an increasing portion of governance activities at this juncture has to be supported by grant funds as much of the work in this area involves building the institutional (governance related) infrastructure needed to foster and sustain economic growth and combat poverty. The long term impact of ADB's lending activities on growth and poverty depends in large part on progress in building the appropriate infrastructure.

8. A dedicated fund for governance is needed to direct resources towards supporting the very challenging agenda and action plan. Today the ADB has no facility to solicit or accept donor funds targeted specifically to governance activities. Given the growing interest among donors to purposefully support governance initiatives and correspondingly increase grant funding for such activities, it is timely to establish a facility to help the ADB attract much needed funds to help promote its Agenda and Action Plan on Governance.

IV. OBJECTIVES AND SCOPE OF THE FUND

A. Objectives

9. The Governance Cooperation Fund (GCF) is a multi-donor umbrella facility which will have the following objectives, all of which help promote, either directly or indirectly, the basic goals of the ADB's Medium Term Agenda and Action Plan:

- (i) Improve the transparency, accountability, predictability and/or the participatory aspects of decision making in the public sector in developing member countries;
- (ii) Promote the mainstreaming of focused and technically well informed participation of NGOs and other community organizations as an integral part of public decision making processes (e.g. participation in different phases of the budget cycle);⁶
- (iii) Enhance the capacity of DMC governments to design and implement governance reforms;
- (iv) Encourage and assist in the development of focused governance related activities that support: (a) the improvement in the welfare of the poor and other vulnerable groups in society (e.g. designing an appropriate governance structure for a micro finance program); (b) programs/projects that promote the emergence and/or growth

⁶ This would include, among others, capacity building of NGOs and community based organizations to undertake the required tasks, such as carrying out report card surveys or monitoring the implementation of infrastructure projects.

of small and medium sized enterprises (e.g. conduct of firm surveys on constraints to growth of SMEs); and (c) activities that strengthen the management capability of local governments (e.g. systematic linking of planning and budgeting at the local level).

- (v) Promote regional initiatives including selected exchanges with other non-ADB regions.

10. The Government of Canada has agreed to make the first contribution to the Fund.

B. Scope

11. The GCF will support government-led governance reform activities that can be shown to clearly and concretely improve transparency, accountability, predictability, and/or the participation. Examples of candidate activities are provided in Annex A; such activities, if structured appropriately, would lead to improvements in one or more of the four aforementioned dimensions of governance.

12. GCF supported activities must have strong links to ADB operational activities and/or concerns consistent with the Country Strategies and Programs (CSPs); the stronger the link, the higher the priority. Further, given the same degree of linkage to operations, those activities that can be shown to contribute concretely to reducing poverty will be given higher priority over others. Individual donor countries participating in the GCF may specify further priorities for their respective contributions.

13. Based on the above broad eligibility parameters, more detailed criteria will be developed upon approval of this Board paper.

14. The GCF may be used to fund consultants, capacity building activities (for NGOs, community based organizations, media, the judiciary, the legislature, DMC national agencies, and/or local governments), small capital investments such as for computerization and facilities for capacity-building, seed funding for pilot innovative activities, studies with demonstrable implications for the design of governance reforms and/or institutions.

V. IMPLEMENTATION ARRANGEMENTS

A. Processing Procedures

15. As the administrator of the GCF, the ADB will ensure that all applicable ADB policies will govern each GCF supported project. The procedures indicated herein will be of an interim nature given the on-going reorganization of the Bank. These procedures will be revised accordingly once the reorganization is completed.

16. A proposal for GCF assistance can come from any interested Department/Office of the ADB; outside parties such as NGOs may submit proposals but such proposals would have to be sponsored by a relevant Department of the ADB. Approval will proceed in two stages. In the first stage, the said Department/Office shall first prepare a brief concept note (maximum of two pages) in consultation with the concerned DMC governments and, depending on the activities involved, in collaboration with NGOs, other community organizations, and/or other stakeholders in the concerned DMCs. Its staff will develop and process the concept note into a proposal that

best meets the GCF criteria (as indicated in IV.B above). Staff from the Governance Unit of the Strategy and Policy Department (SPGC)⁷ shall provide assistance in this effort.

17. In stage two, the Department will submit the completed proposal to the GCF Review Committee (GCFRC) – described in paragraph 23 below -- for clearance. SPGC will serve as the Secretariat to the GCFRC and will be responsible for collating and organizing materials for the meetings of the GCFRC. Cleared proposals will be forwarded to SPGC for processing. SPGC will be responsible for identifying the source of funding from the GCF (i.e. which donor fund will be used to support the proposal), and for shepherding proposals through the approval process. Proposals of less than US\$250,000 will be submitted directly to the President for final approval. For proposals above US\$250,000, SPGC will forward the proposal to OCO and OCO will seek clearance on a no objection basis from the donor country government from which funding is being sought. After this clearance, SPGC (through SPD) will submit the proposal for final approval to the ADB President, if the proposal is below US\$1 million, or to the ADB's Board of Directors (through the President), if it is above US\$1 million. In any of the above cases, the concerned Programs Department shall obtain concurrence from the DMC government(s) involved in implementing the proposed activity. A flow chart of the process is presented in Annex B.

18. Upon Board approval of this paper, SPD shall prepare a template to assist interested Departments in preparing concept notes and proposals and to facilitate the completion of the approval process.

B. Procurement

19. ADB will review and approve all relevant actions undertaken by executing agencies associated with the GCF (i.e. recruitment of consultants, procurement of goods and services) in accordance with established procedures. In cases where the ADB itself recruits consultants, all relevant procedures governing such recruitment will be followed.

20. The recruitment of consultants will be carried out in accordance with ADB's *Guidelines on the Use of Consultants* as amended from time to time. Procurement of goods and services shall conform to ADB's *Guidelines for Procurement* as amended from time to time.

C. Monitoring and Evaluation

21. ADB will monitor and evaluate GCF funded activities in the same manner as for technical assistance projects and in accordance with established ADB procedures. ADB will prepare an annual progress report on on-going and newly completed projects and will submit the report to each donor government participating in the GCF.

D. Executing Agencies

22. Executing agencies for GCF funded activities will in general be DMC governments (central and local). However, depending on the activity, NGOs and community based organizations could be involved in design, implementation, and monitoring. Expenditures arising from GCF funded activities will be paid in accordance with ADB's standard procedure for disbursements.

⁷ SPGC will move to the new Regional and Sustainable Development Department under the reorganized structure of ADB effective 1 January 2002. The responsibilities of SPGC as described in this Paper will move with SPGC.

E. The Governance Cooperation Fund Review Committee (GCFRC)

23. The GCFRC will consist of selected governance specialists from concerned operational departments. The Committee will meet once every two months to discuss and clear proposals in the pipeline based on eligibility criteria. Chairmanship of the Committee will rotate on a bi-monthly basis among the members.⁸

F. Responsibilities of SPD and OCO

24. Cooperation between various departments of the ADB is essential for the success of GCF operations. In this regard, SPD will act as a focal point and a central channel of communications between various departments and participating donor countries for all technical and implementation matters relating to the performance of the GCF.

25. OCO will act as the official channel of communications between the participating donors and ADB on financing matters related to GCF. OCO will monitor and report on the financial performance of the GCF and liaise with the participating donor governments accordingly.

V. FUNDING ARRANGEMENTS

26. The Government of Canada (the Government) has proposed to make an initial grant contribution of 2.5 million Canadian Dollars to be provided for an initial period of three years commencing in November 2001. At its discretion, the Government may provide additional resources to the Fund. The first installment will be remitted when ADB and the Government sign the Channel Financing Arrangement (the Arrangement) providing the first contribution to the Fund. Contributions from other donors will be effected through the signing of similar channel financing arrangements (CFAs). These CFAs will be approved by Management and they will be sent to the Board for information.

27. Contributions from participating donors under the Fund will be deposited into separate United States dollar interest-bearing accounts to be specified by ADB. Interest accrued on such amounts will be used for the Fund. The resources of the Fund may be freely exchanged by ADB into other currencies as required. Any fees, including the service charge for administering the Fund in accordance with paragraph 28 below and charges relating to the purchase of such other currencies, will be paid out of the Fund.

28. The Fund will be held by ADB on behalf of the participating donors and will be administered separately from ADB's own resources. For administering the Fund, ADB will be paid a service charge in accordance with ADB's policy on service charges for administration of grant cofinancing from bilateral sources.⁹ ADB may use part of the Fund (and any interest thereon) to cover the service charge.

29. ADB will maintain records and accounts in accordance with the normal procedures to show expenditures financed by the Fund. ADB will provide the participating donors with periodic reports on the use of the Fund and the activities financed thereunder. Such reports will be made

⁸ Depending on the experience, meetings can be increased to monthly.

⁹ R68-00: *Review of Service Charges for the Administration of Grant Cofinancing from Bilateral Sources*, 22 February

available to the Board. ADB and the participating donors will periodically review the administration and operation of the Fund.

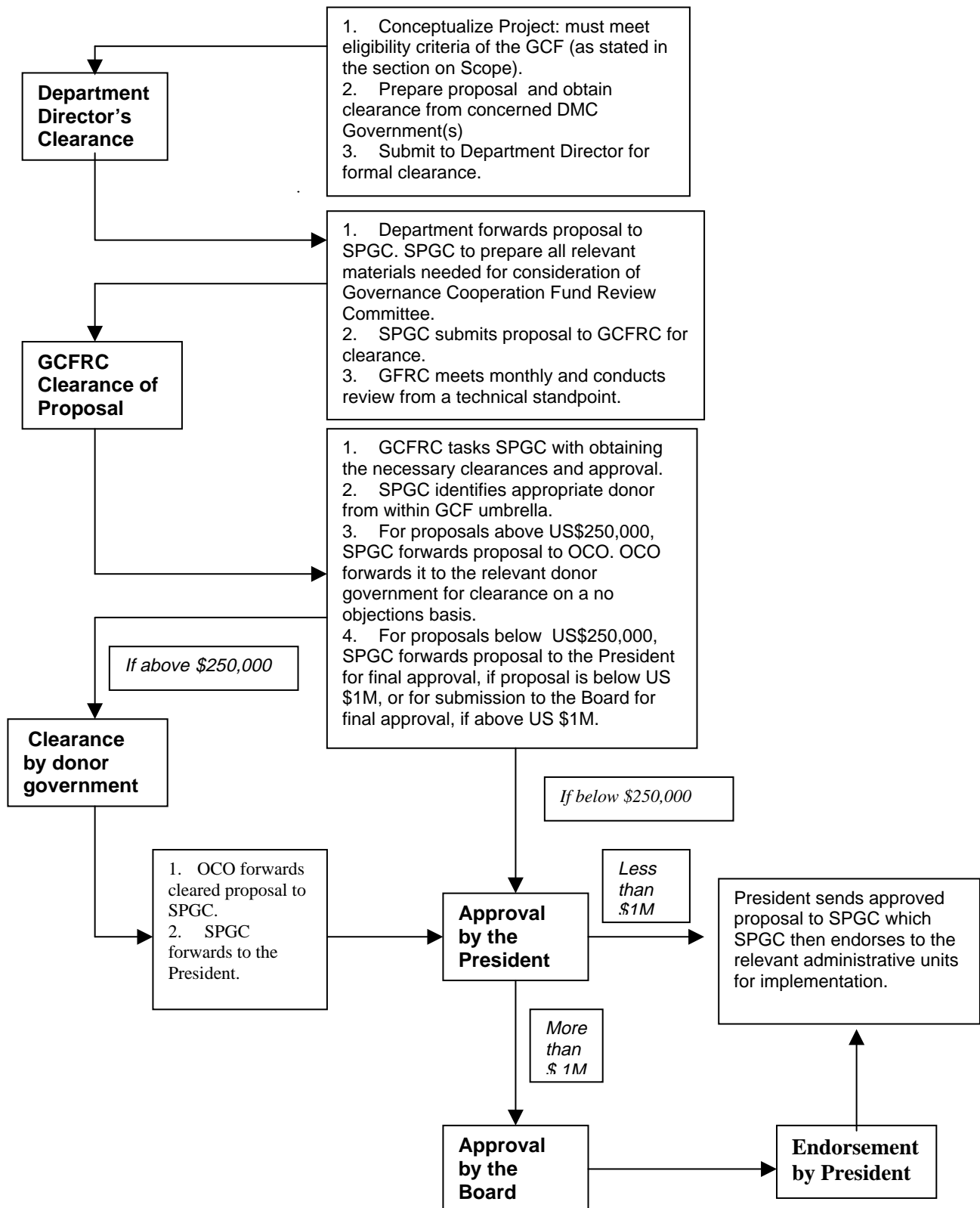
VII. RECOMMENDATIONS

30. It is recommended that the Board approve (i) the establishment of the proposed Governance Cooperation Fund and its administration in accordance with the provisions set forth in this paper; and (ii) ADB entering into the channel financing arrangement with the Government of Canada in relation to its grant contribution to the Fund, substantially in the form of the draft attached hereto.

List of Candidate Activities by Sub-Area

- (a) *Public Financial Management (both at the national and local levels)* – revenue administration, public expenditure management, procurement, accounting, auditing, internal control systems.
- (b) *Public Administration (both at the national and local levels)* – civil service reform (personnel management, compensation), agency/sector reengineering, core machinery of government, performance accountability.
- (c) *Local Governance (sub-areas in addition to those under a and b)* – inter-governmental restructuring, inter-governmental fiscal relations, inter-governmental administrative relations, municipal service delivery, devolution/local autonomy.
- (d) *Judicial and Legal Reforms* – reengineering the Judiciary, judicial independence, alternative/innovative dispute resolution mechanisms, institutional reforms in regulation, institutional reforms in law enforcement, legal literacy and empowerment
- (e) *Corporate Governance* – management-stockholder relations, internal governance of state owned enterprises, reform of regulatory agencies.
- (f) *Participation of civil society in policy making* – participation in policy formulation, participation in policy implementation (e.g. monitoring), media development and reporting, public awareness campaigns.
- (g) *Anti-Corruption* – specific stand alone anti-corruption activities such as the establishment of an anti-corruption commission (noting that most of the above reforms either directly or indirectly help combat corruption), the conduct of diagnostic studies.
- (h) *Others* – all other activities that can be shown to fall within the scope of the Medium Term Agenda and Action Plan on Governance.

Flow Chart – Approval Process



ADMINISTRATIVE ARRANGEMENT

between the

GOVERNMENT OF CANADA

and the

ASIAN DEVELOPMENT BANK

in regard to a Grant for the

GOVERNANCE COOPERATION FUND

ARRANGEMENT between Her Majesty the Queen in Right of Canada (hereinafter referred to as the Government), as represented by the Minister for International Cooperation, acting through the Canadian International Development Agency (hereinafter referred to as CIDA), and the Asian Development Bank (hereinafter referred to as ADB).

WHEREAS, the Government wishes to provide a further grant for the reduction of poverty in Asia and the Pacific, specifically in the area of governance;

WHEREAS, the Government wishes to facilitate closer working relationships, policy dialogue and collaborative programming with ADB;

WHEREAS, the Government has indicated its intention to make available to ADB a grant (hereinafter referred to as the Grant) for the Governance Cooperation Fund established in accordance with the arrangements described in the ADB Board Paper attached hereto as Annex 1 (hereinafter referred to as the Fund) for the purpose of financing all or part of the program of activities described in Article 3 of this Arrangement (hereinafter referred to as the Program), and has requested ADB to manage the Grant;

WHEREAS, the Government and ADB wish to conclude the present Arrangement for the purpose of setting out the terms and conditions concerning the provision and the management of the Grant for the Program;

NOW THEREFORE, the Government and ADB have reached the following Arrangement:

Article 1: Responsible Authorities

1.01 The Government designates CIDA as the Agency responsible for the implementation of its obligations under this Arrangement.

1.02 ADB designates the Office of Cofinancing Operations as the unit responsible for the implementation of ADB's obligations under this Arrangement pertaining to general communications and financial matters, and the Governance and Capacity Building Unit of the Strategy and Policy Department as the unit responsible for the implementation of ADB's obligations under this Arrangement pertaining to the implementation of the Program and related technical matters, or such other unit as ADB may specify.

1.03 This Arrangement is not an international treaty; it is an administrative arrangement between the Government and ADB.

Article 2: Amount of Grant

2.01 The Government, through CIDA, will provide a grant for the Fund. The Government will provide, on an untied grant basis, a grant in the amount of two million five hundred thousand Canadian dollars (Can\$2,500,000) in accordance with Article 6.01 of this Arrangement. Such amount, together with any additional amounts the Government may provide from time to time for the purpose of the Program, will constitute the Grant.

Article 3: The Program

3.01 The Program will consist of activities which fall within the scope of ADB's Good Governance Policy (1995) and Promoting Good Governance: Medium-Term Action Plan and Agenda (2000). It will support the four dimensions of the Good Governance Policy - accountability, participation, predictability and transparency. The activities eligible for funding under the Program are more fully described in Annex 1.

3.02 Within this context, the Grant will fund technical assistance projects (hereinafter referred to as the Projects) for the provision of policy advice, project preparation, training and capacity building, institutional support and other technical assistance services, and other activities which may be agreed upon between CIDA and ADB.

Article 4: Recipients of the Grant

4.01 The recipients of the Grant (hereinafter referred to as the Recipients) will be ADB's developing member countries (DMCs) and institutions operating in such countries. All borrowing DMCs are eligible for assistance under the Program.

Article 5: Implementation of the Program

5.01 The identification, preparation, appraisal and supervision of the Projects which CIDA finances pursuant to this Arrangement will be the sole responsibility of ADB, and will be carried out by ADB in accordance with ADB's policies and procedures.

5.02 ADB will have the responsibility of selecting, processing, obtaining the necessary approvals from ADB's Management or Board for, and subject to this Arrangement, establishing the terms and conditions of, Projects. Projects to be financed under the Program will be approved pursuant to the same procedures utilized for authorizing the use of resources administered by ADB.

5.03 ADB will be responsible for the selection and engagement of consultants, negotiation and conclusion of contracts, procurement of equipment, and supervision of Projects to be financed out of the proceeds of the Grant, and disbursements in connection therewith. The selection and engagement of consultants will follow ADB's *Guidelines on the Use of Consultants*, as amended from time to time, and the procurement of goods and services will be in accordance with ADB's *Guidelines for Procurement*, as amended from time to time.

Article 6: Disbursement of the Grant

6.01 CIDA will deposit the Grant of Can\$2,500,000 equivalent in a US dollar interest bearing account specified by ADB (hereinafter called the ADB account) during the period from the date this Arrangement has been signed by both parties to 31 March 2004, in accordance with the following schedule or as mutually agreed between CIDA and ADB:

Upon signing of this Arrangement, a minimum of	Can\$1,000,000
by 31 January 2002, a cumulative minimum amount of	Can\$1,500,000
by 31 January 2003, a cumulative minimum amount of	Can\$2,000,000
by 31 March 2004, the cumulative total of	Can\$2,500,000

6.02 ADB will make withdrawals from the ADB account as necessary to meet expenditures on Projects under the Program as agreed between CIDA and ADB. If other currencies are required for payment to meet any eligible expenditure, ADB may purchase the required currencies with the proceeds of the Grant. Any fees and charges relating to such purchase will be paid out of the Grant.

6.03 For the purposes of this Arrangement, the funds referred to in Article 6.01 above will be held, administered and invested at the discretion of ADB. Pending disbursements, ADB may invest and reinvest the proceeds of the Grant, and any income earned in respect of such investment and reinvestment, as well as any interest earned in respect of the ADB account, will be credited to the ADB account and used for the purposes of the Program.

6.04 Payments due from CIDA are conditional upon appropriation by the Parliament of Canada for the fiscal year in which the payments are made.

Article 7: Approval of Projects

7.01 ADB will inform CIDA of all Projects to be financed under the Program, including their objectives, scope, beneficiaries, estimated costs and financing plan, executing agency, and implementation schedule.

7.02 Maximum funding that may be authorized by ADB without the prior written authorization of CIDA under this Arrangement will be limited to US\$250,000 per Project. Funding in excess of this amount will require the prior written authorization of CIDA; provided that, in the absence of any information from CIDA regarding its concurrence or objection to the proposed financing of a Project under the Program within thirty-one (31) calendar days from the date of submission of Project details under Article 7.01 of this Arrangement, financing of the proposed Project with proceeds from the Grant will be deemed to have been approved by CIDA.

Article 8: Administration Fee

8.01 ADB may use part of the Grant (together with any income and interest earned thereon pursuant to Article 6.03 of this Arrangement) to cover ADB's fee for the administration of the Grant, up to five percent (5%) of the amounts disbursed under the Grant.

Article 9: Reports and Audits

9.01 ADB will have responsibility for the supervision and control of operations financed under the Grant in accordance with its standard procedures, but ADB will keep CIDA informed with respect to the implementation of each Project as part of ADB's normal procedures for reporting on the status of Projects.

9.02 ADB will, in accordance with its usual procedures: (i) furnish CIDA with such reports and information as CIDA may reasonably request concerning the progress of the

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

9.03 ADB will maintain records and accounts in accordance with its normal procedures, to show contributions, interest income and expenditures financed by the Grant

9.04 ADB will make available to CIDA such documents and records concerning the Program as CIDA may reasonably require in connection with any audit of Program accounts conducted and financed by CIDA. Any expenses incurred by ADB in relation to any external audit required by CIDA will be borne by CIDA.

9.05 This Arrangement will not be assigned by either party without the prior consent of the other party.

9.06 Projects funded under this Arrangement will be only for the benefit of ADB and its DMCs in accordance with the objectives agreed to between CIDA and ADB from time to time pursuant to Article 3 of this Arrangement.

9.07 ADB will exercise the same care in the discharge of its functions under this Arrangement as it exercises with respect to the administration and management of its own affairs.

Article 10: Consultations and Review of Program

10.01 CIDA and ADB will hold consultations each year after this Arrangement enters into force to review the operation of the Program and the results being achieved, with a view to confirming or revising the future scope of activities.

10.02 CIDA and ADB will consult in particular whenever either party proposes to: (i) modify materially any agreement entered into for the implementation of this Arrangement; or (ii) suspend or terminate, in whole or in part, disbursements under this Arrangement. CIDA and ADB will also consult with each other whenever ADB identifies a major change of scope in relation to any activities financed out of the proceeds of the Grant.

10.03 CIDA will maintain the prerogative to monitor, review and evaluate the Program activities, with the support of ADB.

Article 11: Replenishment

11.01 This Arrangement may be extended by mutual written agreement of both parties to cover any additional funds which the Government may from time to time make available for the purpose of the Program.

Article 12: Termination of ADB's Responsibility

12.01 This Arrangement will enter into force on the date it is signed by both parties.

12.02 If it appears to either party that the cooperation envisaged by this Arrangement can no longer appropriately or effectively be carried out, the Arrangement may be terminated by one party giving ninety (90) days notice to the other party. In the event of termination, ADB will have no claim against the Government by reason of such termination other than payment of expenses actually incurred under this Arrangement to the date of such termination, less any sums previously paid on account thereof; provided that such termination will not affect any agreements entered into between ADB and DMCs, consultants, other persons or third parties prior to ADB's receipt or giving of notice of such termination, and ADB will be entitled to continue to make disbursements and receive further advances from CIDA in respect of such agreements as if this Arrangement had not been so terminated. Unless otherwise agreed in writing by the parties, funds provided by the Government under this Arrangement prior to its termination will, after the termination of this Arrangement, continue to be governed by the terms of this Arrangement. Any unutilized funds will be returned by ADB through CIDA to the Receiver General of Canada.

Article 13: Environmental Protection

13.01 All Projects and activities funded under this Arrangement will be subject to and comply with ADB's policies and procedures related to environmental protection and environmental assessment. For Projects over the limit of US\$250,000 as specified in Article 7.02 of this Arrangement, ADB will provide CIDA with a copy of pertinent documentation so that CIDA may determine, as part of the approval process for such Projects, whether the Projects are likely to cause significant adverse environmental effects.

Article 14: Anti-Corruption

14.01 No offer, gift or payment, consideration or benefit of any kind, which constitutes an illegal or corrupt practice, has or will be made to anyone, either directly or indirectly, as an inducement or reward, for the award or execution of this Arrangement. Any such practice will be grounds for terminating this Arrangement or taking any other corrective action as required.

Article 15: Canadian Members of Parliament

15.01 It is understood that no member of the Canadian House of Commons will be admitted to any share or part of this Arrangement or to any benefit to arise therefrom.

Article 16: Addresses

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

(a) For the Government:

Canadian International Development Agency
200 Promenade du Portage
Hull, Quebec, Canada K1A 0G4

Facsimile Number: (1-819) 953-5348
Attention: CIDA/MFD/Director General, IFIs

(b) For the ADB:

Asian Development Bank
P.O. Box 789
0980 Manila, Philippines

(i) General Communications and Financial Matters:

Facsimile Numbers: (63-2) 636-2456 (Direct)
(63-2) 636-2444 (Central)
Attention: Office of Cofinancing Operations

(ii) Implementation and Technical Matters:

Facsimile Numbers: (63-2) 636-2182 (Direct)
(63-2) 636-2444 (Central)
Attention: Strategy and Policy Department

Article 17: Amendments

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

Article 18: Settlement of Disputes

18.01 The Government and ADB will seek amicably to settle any differences and disputes arising out of or in connection with the implementation of this Arrangement.

Signed:

For Her Majesty the Queen in
Right of Canada, as represented
by the Minister for International
Cooperation, acting through the
Canadian International
Development Agency

For ASIAN DEVELOPMENT BANK

Name: JEAN-MARC METIVIER
Title: Vice President
Multilateral Programs
Canadian International
Development Agency

Name: TADAO CHINO
Title: President