



Coordination Committee

For consideration

CC-6146
26 February 2007

To: The Coordination Committee
From: The Secretary
Subject: Donor agreement for the establishment of the anticorruption activities fund

Inquiries to: Ms. Maria Bouroncle (extension 2124) or Mr. John Scott (extension 2750)

Donor Agreement for the Establishment of the Anticorruption Activities Fund

1. The objective of this proposal is to request the establishment of the Anticorruption Activities Fund as a new trust fund, under the Program for Development of Technical Cooperation among Member Countries of the IDB (the "T/C Funds Program"). The purpose of the Fund is to strengthen IDB member countries' institutional capacity in order to improve overall governance as a means to prevent and reduce corruption.
2. This Fund will expand and improve the basis for the cooperation between IDB and the Government of Norway for the benefit of all IDB borrowing member countries in Latin America and the Caribbean. The Fund shall accept contributions from any other donor through the subscription of the Letter of Adherence provided in Annex 1 of the Donor Agreement.
3. It is expected that the activities supported by the Fund will strengthen the IDB capacity to support its member countries' ongoing efforts in improving overall governance.
4. The Government of Norway wishes to contribute thirty million Norwegian kroner (NOK 30,000,000, equivalent to approx. US\$4.9 million) over the three-year period 2007-2009.
5. The Fund will be 100% untied, allowing the use of consultants from all IDB member countries. The resources of the Fund may finance: (i) consultancies, including travel and expenses; (ii) training, seminars, workshops and outreach activities; and (iii) any other costs expressly contemplated in the Donor Agreement or as may be otherwise agreed to in writing with the parties.
6. All activities shall qualify as eligible under IDB technical cooperation policies and norms, and the Bank will maintain the responsibility for identification of the projects to be financed. The selection, recruitment, contracting and payment to consultants will follow IDB policies and procedures.
7. The Ministry and other contributing donors will be allowed to monitor any activity funded. The usual reports on the use of resources, status of projects and information on the consulting contracts will be required. Meetings, at least once a year, will be held with the donor(s) representative(s) in order to set priorities for the use of the Fund.
8. The IDB may at its discretion invest and reinvest the resources of the contributions pending their disbursement. Any income will be added to the resources of the Fund, and will be used to finance projects or activities provided for under the Donor Agreement. The Bank will charge and deduct an administrative commission of five percent (5%) on contributions to defray the costs of administering the Fund.
9. The IDB designates the Financial Support Services Sub-department (RE2/FSS) as the responsible unit for the implementation of the IDB obligations under the Donor Agreement.
10. Resolution DE-51/91, approved by the Board on March 20, 1991, and Document GN-1708, dated February 5, 1991, authorized the President of the Bank to sign agreements with the government of Bank member countries and donor international organizations for the creation of trust funds under the umbrella of the T/C Funds Program. The attached agreement represents the text negotiated with the Norwegian authorities by the Bank's Legal Department, in consultation with FIN, RE3, OII and RE2/TEC.
11. RE2/FSS recommends that the Coordination Committee approves the attached Donor Agreement for signature by the President of the Bank.

DONOR AGREEMENT

FOR THE ESTABLISHMENT OF

THE ANTICORRUPTION ACTIVITIES FUND

[March __, 2007]

THIS DONOR AGREEMENT (the "Agreement") between the Royal Ministry of Foreign Affairs of Norway (the "Ministry") and the Inter-American Development Bank (the "IDB") (individually a "Party", together the "Parties") is entered into as of [March __, 2007].

WHEREAS, the IDB is a public international organization, the purpose of which is to contribute to the acceleration of the process of economic and social development of its regional developing member countries in Latin America and the Caribbean, individually and collectively.

WHEREAS, the Ministry has decided to support the IDB's regional initiatives aimed at strengthening the ability of institutions to fight corruption in Latin America and the Caribbean.

WHEREAS, the Ministry and the IDB are prepared to enter into an agreement whereby the Ministry wishes to make funds available to the IDB for the funding of activities which promote transparency by strengthening access to information in the IDB's member countries as a mechanism to prevent corruption and enhance governance.

WHEREAS, the purpose of this Agreement is to set out the terms and conditions of the Anticorruption Activities Fund.

WHEREAS, the Anticorruption Activities Fund will be created under the IDB's applicable policies and procedures, including the Program for the Development of Technical Cooperation Among Member Countries of the IDB (TC/Funds Program).

NOW THEREFORE, the Parties have reached the following agreement:

**ARTICLE 1:
ESTABLISHMENT OF THE
ANTICORRUPTION ACTIVITIES FUND**

1. The Parties hereby establish the Anticorruption Activities Fund (hereinafter referred to as the "Fund"), under the administration of the IDB, the purpose of which shall be to strengthen the IDB member countries' institutional capacity in order to improve overall governance as a means to prevent and reduce corruption.
2. The Ministry shall contribute the amount of thirty million Norwegian kroner (NOK30,000,000) according to the following payment schedule:

<u>Date</u>	<u>Amount</u>
No later than May 1, 2007:	NOK10,000,000
No later than May 1, 2008:	NOK10,000,000
No later than May 1, 2009	NOK10,000,000

The foregoing contribution shall be subject to parliamentary approval.

3. The Fund shall accept contributions from any donor or donors through the subscription of the Letter of Adherence to this Donor Agreement provided in Annex 1, attached. All contributions are to be administered in accordance with the terms of this Agreement. In the event of subsequent contributions from other donors, the term “Parties” as used herein, shall include such donors.

**ARTICLE 2:
USE OF THE RESOURCES AND ACTIVITIES**

1. The resources of the Fund will be used to finance non-reimbursable technical cooperation projects, strategically focused on operations striving for more transparent societies, as the overarching goal, through the expansion of research and awareness, the strengthening of local capacity, and the facilitation of inter-institutional collaboration, consistent with the principles set forth in Annex 2.
2. The principal objectives of the Fund are to improve transparency in the region by strengthening access to information in the IDB’s member countries through the following three closely related areas of intervention:
 - (a) Access to information
 - (b) Participatory mechanisms
 - (c) Monitoring mechanisms
3. The identification, preparation, appraisal and supervision of the projects and activities financed through the Fund, as well as the selection, recruitment and supervision of consultants, including individuals, consulting firms, semi-public and public institutions, non-governmental organizations, universities and research institutes hired for the purposes of providing technical assistance, will be carried out in accordance with the policies and procedures of the IDB.
4. The eligibility of beneficiaries of resources of the Fund shall be determined in accordance with IDB policy.
5. Nationals from all IDB member countries are eligible to be hired with the financial resources provided in the terms of this Agreement.

**ARTICLE 3:
FINANCIAL ASPECTS**

1. Contributions can be made to the IDB in United States dollars, or in Norwegian kroner (NOK) or the currency of any other donor country. United States dollar contribution amounts will be based on the NOK (or the currency of any other contributing donor) commitment amount, and the corresponding United States dollar equivalent amount shall be determined based on the rate of exchange in effect on the date of payment. Contributions made in Norwegian kroner or the currency of any other donor country will be converted by the IDB

into United States dollars using the rate of exchange in effect on the date of the currency conversion. The IDB may exchange the resources of the Fund at its discretion to other currencies to facilitate their management and investment.

2. At the request of the IDB and in accordance with the terms of this Agreement, the Ministry and other contributing donors shall deposit contribution resources in a bank account indicated by the IDB. Resources provided by the Ministry and by other contributing donors may be held by the IDB in a single account. The contributions will be administered in accordance with the provisions of this Agreement.
3. When depositing any contributions pursuant to this Agreement, the Ministry and other contributing donors will send by facsimile a copy of the "Request for Payment" to the IDB (facsimile number +1-202-623-3171) and a copy to the attention of the IDB Cash Management Section (facsimile number +1-202-623-2989), which will include: (i) the amount(s) deposited; (ii) the date of such deposit; and, (iii) any other relevant information, including the name and number of the project or activity for which such deposit has been made.
4. The IDB will commit the resources made available to it hereunder only if the IDB receives sufficient funds to cover any such commitment. The IDB will not be responsible for any exchange rate risk related to currency exchange.
5. The IDB may in its discretion invest and reinvest the resources of the contributions pending their disbursement. Any income will be added to the resources of the Fund, and will be used to finance projects or activities provided for under this Agreement and to cover costs contemplated herein, and will not be credited to the contribution(s) of any individual donor.
6. The IDB will exercise the same care in the discharge of its functions under this Agreement as it exercises with respect to the administration and management of its own affairs, and will have no further responsibility to the Ministry or to other contributing donors in respect thereof.
7. All costs and expenses related to audits and other agreed-upon procedures, if any, including but not limited to those specified under Article 4, will be deducted from the resources of the Fund. Such charges will be reflected in the financial statements.
8. The IDB will charge and deduct an administrative commission of five percent (5%) on contributions received from the Ministry or from other contributing donors in order to defray the costs of administration.

ARTICLE 4: REPORTING, MONITORING AND CONSULTATION

1. The IDB will maintain separate books and records for the contributions provided by the Ministry and by other contributing donors hereunder; however, books and records shall not be kept or segregated by donor. The IDB will deliver to the Ministry and other contributing

donors the following statements and reports, which will be prepared in accordance with the policies and procedures of the IDB. The reporting currency will be the United States dollar.

2. No later than April 30 of each year, the IDB will furnish an unaudited annual report for the previous calendar year under this Agreement. This report will include such information as: (i) amounts received from the Ministry and other contributing donors; (ii) approved and disbursed amounts; (iii) income earned and costs charged; (iv) general description of the projects or activities and its implementation; and, (v) results achieved in respect of program objectives. Reporting for individual projects will not be made.
3. The IDB will provide the following reports, audited by the IDB's external auditor:
 - (a) The IDB will deliver to the Ministry and other contributing donors an audited financial statement of the Fund for each three-year period ending on December 31, by April 30 of the following year.
 - (b) Upon termination of this Agreement, the IDB will deliver to the Ministry and other contributing donors an audited financial statement of the Fund as of the termination date.
4. The Parties shall meet at least once a year, not later than June 15th, to review the annual report, the progress of the program, goals and objectives achieved and to discuss future activities of the Fund. The IDB shall prepare the agenda and the drafts of the agreed minutes for the annual meeting. The Parties will inform each other of their respective personnel assigned to oversee activities in relation to the development and administration of operations. The Ministry and other contributing donors shall be notified by the IDB of future activities to be funded under this Agreement.
5. The Ministry and other contributing donors will be allowed to monitor any activity funded under this Agreement upon providing the IDB with sufficient notice. Where feasible and reasonable, the IDB will provide assistance to the Ministry or other contributing donors while its representatives are carrying out such monitoring activities.

ARTICLE 5: INSTITUTIONAL ASPECTS

The IDB designates the Financial Support Services Sub-department (RE2/FSS) as the responsible unit for the administration of its obligations under this Agreement.

ARTICLE 6: COMMUNICATIONS

All written communications required or permitted by this Agreement will be directed to the following addresses:

For the Ministry:

Deputy Director General
Department for International Development Policy **Tel:** (+47) 2224-3600
Royal Ministry of Foreign Affairs of Norway **Fax:** (+47) 2224-9580
7 Juni Plasse, Viktoria Terrasse
Oslo 1, Norway

For the IDB:

Deputy Manager
Financial Support Services Subdepartment
Regional Operations Department 2 (RE2/FSS)
Inter-American Development Bank **Tel:** (+1) 202-623-3954
1300 New York Ave., NW **Fax:** (+1) 202-623-3489
Washington, D.C. 20577, U.S.A.

**ARTICLE 7:
GENERAL**

1. Nothing in this Agreement may be construed as creating an agency relationship between the Ministry or other contributing donors and the IDB.
2. Subject to its policies and procedures with respect to the disclosure of information, the IDB may make this Agreement publicly available.

**ARTICLE 8:
EFFECTIVENESS, AMENDMENT, TERMINATION AND
SETTLEMENT OF DISPUTES**

1. This Agreement will become effective as of the date of its signature by the authorized representatives of the Ministry and of the IDB and until such time as this Agreement is terminated in accordance with this Article 8.
2. Amendments to any of the provisions of the Agreement may be made at any time in writing by the Parties, and may additionally be a subject of discussion in the regular meetings of the Parties, including annual meetings.
3. Any Party may terminate their respective participation in the Fund, and for the purpose of activities not committed as of the effective date of the notice of termination, with three months advance written notice to the IDB. Notwithstanding, unless otherwise agreed to in writing by the IDB and the party concerned, termination of this Agreement will not prejudice commitments expressly contemplated under this Agreement or the payment of the contractual obligations of the Fund that are entered into as of the date of receipt of the respective termination notice.

4. Subject to the foregoing, and except as otherwise provided herein, upon termination of a donor's participation in the Fund, a proportional uncommitted fund balance of the Fund will be returned to such donor, as of the termination date, which shall be calculated as further detailed herein. The proportion of the contributions made to the Fund by the retiring donor shall be multiplied by the uncommitted balance of the Fund, as of the termination date of the retiring donor. The resulting amount shall be adjusted by the IDB, as necessary, to reflect any variation based on the timing of the various contributions made to the Fund, the earnings and/or the expenditures of the Fund, and the relative terms of contributions made by other donors. Any calculation of the amount to be returned will be made in United States dollars. The amount returned will be subject to any adjustment resulting from the next audit of the Fund. The retiring donor commits to return to the IDB any amount required as a result of such audit adjustment.
5. The Parties will seek to settle amicably any disputes that may arise from or relate to this agreement.

IN WITNESS THEREOF, the undersigned duly authorized thereto, have signed this Agreement in two (2) original copies in the English language, one for the Ministry and the other for the IDB, in Guatemala City, Guatemala on this [__ day of March, 2007].

Royal Ministry of
Foreign Affairs of Norway

Inter-American
Development Bank

Henrik Harboe
Deputy Director General

Luis Alberto Moreno
President

LETTER OF ADHERENCE

THIS LETTER OF ADHERENCE (the “Letter of Adherence”) between [_____] (the “Donor”) and the Inter-American Development Bank (the “IDB”) is entered into as of [_____, 20__].

WHEREAS, a Donor Agreement for the Anticorruption Activities Fund between the Royal Minister of Foreign Affairs of Norway and the IDB was entered into as of [_____, 20__] (the “Agreement”).

WHEREAS, the Donor wishes to adhere to the Agreement and to make funds available to the IDB for the funding of activities contemplated under the Agreement.

NOW THEREFORE, the Parties have reached the following agreement:

**ADHERENCE TO THE DONOR AGREEMENT
FOR THE ANTICORRUPTION ACTIVITIES FUND:**

1. The Donor has decided to adhere to the Agreement and to support the Anticorruption Activities Fund (hereinafter referred to as the “Fund”) established therein, and therefore shall contribute the amount of [_____] ([_____]). Such contribution will be payable as [_____] ([_____]) in cash and [_____] ([_____]) according to the following payment schedule:

<u>Date</u>	<u>Amount</u>
No later than [_____]:	[_____]
No later than [_____]:	[_____]
No later than [_____]:	[_____]
No later than [_____]:	[_____]

2. Contributions can be made to the IDB in United States dollars, or in the Donor’s currency. United States dollar contribution amounts will be based on the Donor’s currency commitment amount, and the corresponding United States dollar equivalent amount shall be determined based on the rate of exchange in effect on the date of payment. Contributions made in the Donor’s currency will be converted by the IDB into United States dollars using the rate of exchange in effect on the date of the currency conversion. The IDB may exchange the resources of the Fund at its discretion to other currencies to facilitate their management and investment.
3. At the request of the IDB, the Donor shall promptly after the effective date of this Letter of Adherence, deposit contribution resources in a bank account indicated by the IDB.

The contribution will be administered in accordance with the provisions of the Agreement.

4. The Donor designates [_____] as responsible for the implementation of the Donor's obligations under this Letter of Adherence and the Agreement.
5. All written communications required or permitted by this Letter of Adherence or by the Agreement will be directed to the following addresses:

For the Donor:

[]		
[]		
[]	Tel:	[]
[]	Fax:	[]

For the IDB:

Deputy Manager	
Financial Support Services Subdepartment	
Regional Operations Department 2 (RE2/FSS)	
Inter-American Development Bank	
1300 New York Ave., NW	Tel: (+1) 202-623-3954
Washington, D.C. 20577 U.S.A.	Fax: (+1) 202-623-3489

6. Unless otherwise provided for herein, the terms of the Agreement will apply to this Letter of Adherence.
7. Subject to its policies and procedures with respect to the disclosure of information, the IDB may make this Letter of Adherence publicly available.

IN WITNESS THEREOF, the undersigned duly authorized thereto, have signed this Letter of Adherence in two original copies in the English language, one for the Donor and the other for the IDB.

[The Donor]

Inter-American
Development Bank

[Name]
[Title]

[Name]
[Title]

1. Introduction

The Norwegian Ministry of Foreign Affairs, recognizing the demand in Latin American and Caribbean countries for better governance, has decided to support the Inter-American Development Bank (“IDB”) through a planned contribution of NOK 30,000,000.

2. Objectives of the Fund

The objective of the Fund will be to strengthen the IDB member countries’ institutional capacity in order to improve overall governance as a means to prevent and reduce corruption. To achieve this purpose the Fund will strategically focus on operations seeking more transparent societies by strengthening access to information in the IDB’s member countries.

3. Expected impact of the Fund

The activities undertaken with the Fund’s support will follow a comprehensive methodological approach that will cover (i) diagnostics; (ii) activity proposal; (iii) design of performance and monitoring indicators; and (iv) evaluation of the project accomplishments and its replicability in the region. It is expected that the activities supported by the Fund will strengthen the IDB’s capacity to support its member countries’ ongoing efforts in improving overall governance through:

Better diagnostics: the activities undertaken with the Fund’s support will provide the Bank with updated information on transparency levels in the region as well as with methodological tools to monitor changes and implementation of reforms.

Operationalization: the activities undertaken with the Fund’s support will offer the IDB concrete examples of best practices to build upon. Additionally, reforms aimed at enhancing transparency can serve as entry points to further institutional change.

Innovation: through the activities supported by the Fund, the IDB will engage in a learning process from which innovative approaches can be developed. The learning lessons arising from the implementation of the activities can offer valuable information on the alteration of incentives and strengthening the demand for better governance on the part of civil society, the private sector and possibly public institutions themselves, which in turn may inform future work at both a horizontal and vertical level.

Monitoring and Evaluation: the limited timeframe imposed by the Fund’s characteristics offers a good opportunity to measure impact of the interventions through (i) the evaluation of individual operations and (ii) the overall achievements of the Fund at its conclusion, helping identify to what extent results have been achieved in diagnosing, preventing and reducing corruption and, more importantly, how they have been achieved.