

## ADMINISTRATIVE ARRANGEMENT

December 17, 2004

With reference to the Cooperation Framework Arrangement (the "Framework Arrangement") dated as of October 3, 2004 between the Government of the United Kingdom of Great Britain and Northern Ireland (the "U.K.") represented by the Department for International Development ("DFID"), and the Inter-American Development Bank (the "IDB"), I am pleased to inform you of the intention of DFID to make available a contribution of one hundred and fifty five thousand Pound Sterling (£155,000) (the "Contribution"), to be administered by the IDB for the: "Support for the Development of a Poverty and Inequality Reduction Strategy (PRS) of the Republic of Colombia (CO-T1011)", ( the "Project").

The provisions of the Framework Arrangement will apply to this Arrangement. The IDB will administer the Contribution in accordance with the provisions of the Framework Arrangement, except as otherwise provided herein. The financial reporting will be expressed in U.S. dollars.

The Contribution is for COFAB and will be used exclusively for the purposes set out in the attached Project document.

Special reporting requirements: pursuant to the Framework Arrangement paragraphs 5.1.2 (a) and (b), the IDB will not provide audited financial statements for the Project. Nevertheless, DFID may request the IDB to have its external auditor issue a special report related to this Administrative Arrangement, based on agreed-upon procedures.

DFID will deposit the Contribution, upon request from the IDB, into the account indicated by the IDB promptly following the date hereof, in accordance with the following schedule:

£70,000	December 2004 (upon signature of this Administrative Arrangement).
£85,000	April 2005 (upon written request from the IDB)

The payment schedule may be amended with DFID's written approval dependent on actual expenditure and need.

The officers responsible for coordination of all matters related to this Administrative Arrangement are:

For DFID:

Head of Latin America Regional Unit  
Latin America and Caribbean Department

For the IDB:

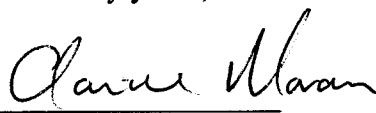
Bertus J. Meins  
Cofinancing Division  
Financial Support Services Subdepartment  
Regional Operations Department 2 (RE2/CEP)

The IDB's commitment to use of the Contribution as contemplated herein remains subject to the IDB's formalization of all internal approvals necessary for the Project.

Subject to their respective policies and procedures with respect to the disclosure of information, the Participants may make this Administrative Arrangement hereunder publicly available.

I would like to propose that this letter, upon your confirmation where indicated below, constitutes an arrangement under the Framework Arrangement between DFID and the IDB.

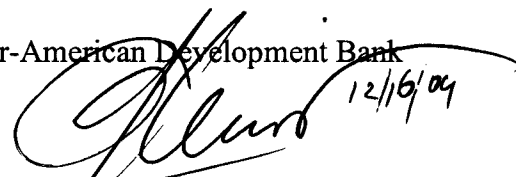
Sincerely yours,

By   
Claire Moran

Head, Latin America Regional Unit  
Latin America and Caribbean Department  
Department for International Development

**Confirmed and accepted:**

Inter-American Development Bank

  
Bertus J. Meins  
Chief  
Cofinancing Division  
Financial Support Services  
Subdepartment  
Regional Operations Department 2

Date: 21/12/04