

ADMINISTRATION AGREEMENT

between

THE INTER-AMERICAN DEVELOPMENT BANK

and

THE BLOOMBERG FAMILY FOUNDATION INC.

regarding

**Project Specific Grant to the Inter-American Development Bank for Project
No. RG-T3043 titled, "Taxation Policies and their Effect on Tobacco
Consumption"**

THIS ADMINISTRATION AGREEMENT is entered into between the Inter-American Development Bank (the "Bank") and The Bloomberg Family Foundation Inc. (the "Donor") (together referred to as the "Parties").

WHEREAS, the Bank 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 Donor has established the "Bloomberg Initiative to Reduce Tobacco Use";

WHEREAS, the Bank has approved Project No. RG-T3043 titled, "Taxation Policies and their Effect on Tobacco Consumption" (the "Project"), as described in the attached project document (the "Project Document");

WHEREAS, the Donor has agreed to support the execution of the Project by providing a project specific grant to be administered by the Bank; and

WHEREAS, the Bank is prepared to receive and administer the contribution funds to be made available by the Donor.

NOW, THEREFORE, the Parties hereby agree as follows:

1. The Donor will make available to the Bank a grant contribution in the amount of U.S.\$500,000.00 (five hundred thousand dollars of the United States of America) (hereinafter sometimes referred to as the "Grant" or the "Grant Funds") to be administered by the Bank to finance the Project. Grant Funds shall be available during the period established in the Project Document, unless otherwise agreed to by the Parties in writing (the "Grant Term").
2. The Grant will be solely for the purposes indicated in the Project Document and shall be used for such purposes in accordance with the budget set forth therein. Any material deviations from the objectives and activities of the Project described in the Project Document will require the Donor's prior written approval. The Bank represents that it is permitted to engage in the activities described in the Project Document in the manner described therein and that conduct of such activities will not cause the Bank to be in violation of any of its regulations, rules or policies.
3. The Donor may request that the Bank modify the Project during the term of the Grant, provided any such modifications are reasonable in terms of financial resources. If the Donor and the Bank cannot reach an agreement about the terms of any such proposed modification, the Donor shall have the right to discontinue funding the Project or cancel the Grant with respect to any then unused and / or uncommitted Grant Funds. Further, if the Donor is not satisfied with the progress of the Project, the content of any written report or the management of the Project by the Bank, and if after any corrective action agreed upon between the Donor and the Bank has been taken, the Donor is still not satisfied, the Donor shall have the right to suspend or discontinue the funding of the Project or to cancel the Grant with regard to any unused and / or uncommitted Grant Funds.
4. Following the signature of this Administration Agreement by the Parties, the Donor will transfer the Grant Funds to the Bank in one single installment, upon the Bank's written request, to the account

indicated by the Bank in writing (the "Account"). The Account is denominated in U.S. dollars and includes resources provided as grant funds by other donors for other Bank projects. The Grant Funds will be administered in the Account without distinction from other donors' contributions.

5. The Bank will administer the Grant Funds in accordance with the provisions of this Administration Agreement and the Bank's applicable policies and procedures. The Bank will exercise the same care in the discharge of its functions, as described in this Administration Agreement, as it exercises with respect to the administration and management of resources from other donors and will have no further liability to the Donor in respect thereof.
6. The Grant Funds will be accounted for separately from the Bank's assets, and will be administered together with other contributions received by the Bank. The Bank may freely exchange the Grant Funds into other currencies as may facilitate their administration and disbursement. The Bank will not be responsible for foreign exchange risk in the receipt, conversion or administration of Grant Funds. Further, the Bank may at its discretion invest and reinvest the resources of the Grant Funds pending their disbursement in connection with the Project.
7. To assist in the defrayment of the administrative costs in relation to the Grant Funds, the Bank will charge and retain:
 - (a) a non-refundable fee equal to five percent (5%) of the total amount of the Grant Funds at the time the Grant Funds are deposited by the Donor into the Account; and
 - (b) any investment income generated by the Grant Funds pending its disbursement towards the Project.
8. The Bank's procurement policies and procedures will be applicable to the procurement of goods and services, as well as the contracting of consulting services, carried out with the Grant Funds, as required by the different components of the Project. Further, the Donor has not required that the Bank procure from any Donor-designated third-party provider any goods and services or consultancy services that are in furtherance of the Project and that are financed with Grant Funds. Rather, procurement of goods and services and consultancy services financed with Grant Funds and in furtherance of the Project may be provided and executed by companies, specialized institutions or individuals from any Bank member country, in accordance with the Bank's policies and procedures.
9. The Donor will not be responsible for the activities of any person or third-party engaged by the Bank as a result of this Administration Agreement, nor will the Donor be liable for any costs incurred by the Bank in terminating the engagement of any such person.
10. Promptly following the completion of the Project, the Bank will submit to the Donor a final Project report. The Donor may also request a non-audited financial expense report of the Grant. In addition, the Donor may request an "agreed upon procedures" report issued by an external auditor selected by the Bank on the use of the Grant Funds. The cost of such auditor's report will be borne by the Donor and will not be deducted from the Grant Funds. The Donor will reimburse the Bank for the cost of this report promptly after receiving a written request from the Bank. The Bank will not provide audited financial statements for the Account.

11. In accordance with the Bank's policies and procedures, including the Sanctions Procedures (www.iadb.org/document.cfm?id=39676437), the Bank will take appropriate measures in connection with the use of the Grant Funds to address allegations of corrupt, fraudulent, collusive, coercive and obstructive practices. The Bank will inform the Donor of any sanctions imposed in relation to such allegations. The Donor shall treat all information received from the Bank pursuant to this Section 10 as confidential, unless and until the Bank notifies the Donor in writing that such information does not require confidential treatment.
12. The Donor and the Bank are committed to the international fight against terrorism, in particular, against the financing of terrorism. It is the policy of the Donor to seek to ensure that none of its funds are used, directly or indirectly, to provide support to individuals or entities associated with terrorism. In furtherance of this policy, the Bank undertakes to use reasonable efforts, in accordance with the Bank's policies and procedures, to ensure that the Grant is not used to provide support to individuals or entities associated with terrorism. The Bank may rely on information provided by third parties.
13. The Bank represents, warrants and covenants that it will not engage in lobbying with the Grant Funds.
14. The Bank warrants that the Bank does not knowingly associate or enter into partnerships with projects or companies involved in the production, trade, or use of tobacco (a "Tobacco Industry Relationship"), has not entered into a Tobacco Industry Relationship in the past five years, and will not enter into a Tobacco Industry Relationship during the Grant Term and for one year thereafter. The Bank also agrees to notify the Donor promptly if the Bank discovers that it entered into a Tobacco Industry Relationship during the Grant Term and for one year thereafter. Should the Bank knowingly fail to notify the Donor thereof or if the Bank enters into a Tobacco Industry Relationship during the Grant Term and for one year thereafter, the Bank agrees that the Donor has the right to demand and receive all Grant Funds from the Bank, minus third-party commitments already entered into by the Bank, as liquidated damages. This provision shall remain in force for one year after the Grant Term.
15. The Bank shall make available to the public, through the Bank's depository, all written work or other materials of any nature created by it under this Administration Agreement (the "Work"), subject to the terms and conditions of the Creative Commons IGO 3.0 Attribution-NonCommercial-NoDerivatives License (<http://creativecommons.org/licenses/by-nc-nd/3.0/igo/legalcode>).
16. The Bank represents, warrants and covenants that the Work is original and that it is the sole creator of the Work, except for any material incorporated into the Work created or owned by third parties, from whom the Bank has obtained or will obtain, at its expense, all licenses necessary to incorporate and use such third-party material in the Work, including the right to sublicense to the Donor such material incorporated into the Work. The Bank further represents, warrants and covenants that the Work does not and will not contain any matter that is obscene or libelous, in violation of any copyright, trademark, proprietary right, or personal right of any third party, or otherwise violate any law. The Bank will indemnify and hold the Donor, its licensees and assigns, harmless from any and all claims, liabilities, costs and expenses, including reasonable attorneys' fees, arising as a result of the breach or alleged breach of these representations, warranties and covenants.
17. Subject to its respective policies and procedures, the Bank shall endeavor to maximize the visibility of the Donor's identity in the Project's communications (e.g., through related signage, documentation

and public information, including the use of the Donor's logo), and invite the Donor's representatives to participate in key events related to the Project. The Donor will be responsible for its own costs with respect to any participation in such events. All communications made by the Bank and related to the Grant (the "Communications") shall: (1) acknowledge the Donor's funding; (2) refer to "Bloomberg Philanthropies" rather than to the Donor itself, and (3) all written acknowledgements shall link to Bloomberg Philanthropies' website (www.bloomberg.org). Upon the Donor's request the Bank shall provide copies of Communications to the Donor and obtain the Donor's consent prior to publication or distribution in any format of any Communication. To the extent that the Bank provides Communications to the Donor, the Bank represents that it owns or otherwise has obtained all rights necessary to use, reproduce, publicly perform and distribute (including the right to sublicense) all content contained or used in the Communications.

18. The Donor agrees that all trademarked or copyrighted content owned by the Bank (including but not limited to logos, written material, photos, and other similar content provided by the Bank to the Donor) and provided to the Donor, in any media, shall remain the property of the Bank. The Donor has the right to publicly acknowledge and announce the Donor's relationship with the Bank in connection with the Grant and this Administration Agreement, subject to prior written consultation with the Bank. Bloomberg Philanthropies' web site may include a brief description of the Grant. On occasion, Bloomberg Philanthropies may also post Bank publications and other related items related to the Project on its website, subject to prior written consultation with the Bank.
19. As soon as possible upon completion of the Project, the Bank will return to the Donor any remaining uncommitted Grant Funds, unless otherwise indicated in writing by the Donor.
20. The Donor acknowledges that the Bank's commitment to use the Grant Funds as contemplated herein will be subject to the Bank's formalization of all internal approvals necessary for the Project and/or the Project Document.
21. The Bank's primary contact for this Grant shall be Dr. Maria Fernanda Garcia, Senior Partnership Officer of the Bank, or any other officer as may be designated and communicated to the Donor by the Bank. Dr. Garcia or whomever is designated by the Bank will maintain day-to-day contact with Cindy Tom at the Donor. The offices responsible for coordination of all matters and receiving any notice or request in writing in connection with this Administration Agreement or the Project are as follow:

(a) For the Bank:

- i. All communications pertaining to donor relations and resource mobilization will be directed to:

Inter-American Development Bank
1300 New York Avenue, NW
Washington, D.C. 20577
UNITED STATES OF AMERICA

Attention: Manager, Office of Outreach and Partnerships (ORP)
Tel.: +1 (202) 623-1583
Fax: +1 (202) 623-2543
E-mail: partnerships@iadb.org

- ii. Day-to-day communications regarding the management of the Grant Funds and the implementation of this Administration Agreement will be directed to:

Inter-American Development Bank
1300 New York Avenue, NW
Washington, D.C. 20577
UNITED STATES OF AMERICA

Attention: Chief, Grants and Co-financing Management Unit
Office of Outreach and Partnerships (ORP/GCM)
Tel.: +1 (202) 623-2018
Fax: +1 (202) 623-3489
E-mail: orp-gcm@iadb.org

(b) For the Donor:

Bloomberg Philanthropies
25 East 78th Street
New York, NY 10075
UNITED STATES OF AMERICA

Attention: Cindy Tom
Tel.: +1 (212) 205-0210
E-mail: cindy@bloomberg.org
publichealth@bloomberg.org

22. In accordance with each party's respective policies and procedures with respect to the disclosure of information, the Parties agree that all information related to this Administration Agreement, provided in confidence by either party, which may be reasonably considered as confidential, shall be treated as confidential and may not be used for any purpose other than the purpose for which it was provided and may not be disclosed without the other party's prior written consent. For the avoidance of doubt, information provided in confidence and marked as confidential by either party at the time of disclosure shall be treated as confidential and may not be used for any purpose other than the purpose for which it was provided and may not be disclosed without the other party's prior written consent. For the further avoidance of doubt, information provided in confidence shall continue to remain confidential after the expiration or termination of this Administration Agreement.
23. This Administration Agreement will come into force on the date of its last signature by each of the Parties. This Administration Agreement may be executed and delivered in counterparts (including by facsimile transmission or scanned PDF counterpart), each of which shall be deemed an original but all of which, when taken together, shall constitute one and the same instrument.
24. The Parties may amend any provision of this Administration Agreement in writing.
25. Subject to their respective policies and procedures with respect to the disclosure of information, the Parties may make this Administration Agreement publicly available.

26. Nothing in this Administration Agreement may be construed as creating an agency relationship between the Parties.
27. The Parties will seek to settle amicably any disputes that may arise from or relate to this Administration Agreement.

IN WITNESS WHEREOF, the Inter-American Development Bank and The Bloomberg Family Foundation Inc., each acting through its duly authorized representative, have signed this Administration Agreement in the English language as of the dates indicated below.

**INTER-AMERICAN
DEVELOPMENT BANK**



Bernardo Guillamon
Manager
Office of Outreach and Partnerships

Date: Nov 09/2017

**THE BLOOMBERG FAMILY
FOUNDATION INC.**



Patricia E. Harris
Chief Executive Officer

Date: Nov 28, 2017

TC Document

I. Basic information

▫ Country/Region:	Regional
▫ TC Name:	Taxation policies and its effect on tobacco consumption
▫ TC Number:	RG-T3043
▫ Associated Loan/Guarantee Name:	N/A
▫ Associated Loan/Guarantee Number:	N/A
▫ Team Leader/Members:	Karen Astudillo, Team Leader (IFD/FMM); Alejandro Rasteletti (IFD/FMM); Alberto Barreix (IFD/FMM); Diana Pinto (SCL/SPH); Maria Fernanda Garcia (ORP/PTR); Claudia Ogliogoro (ORP/GCM); Louis-Francois Chretien (LEG/SGO); and Diana Champi (IFD/FMM)
▫ Date of TC Abstract authorization:	June 2017
▫ Beneficiary	Regional
▫ Executing Agency and contact	Inter-American Development Bank
▫ Donors providing funding:	Bloomberg Philanthropies
▫ IDB Funding Requested	US\$500,000
▫ Local counterpart funding, if any:	N/A
▫ Execution period:	18 months
▫ Disbursement period:	24 months
▫ Required start date:	December 15, 2017
▫ Types of consultants:	Individual
▫ Prepared by Unit:	IFD/FMM
▫ Unit of Disbursement Responsibility:	IFD
▫ TC Included in Country Strategy:	N/A
▫ TC included in CPD:	N/A
▫ GCI-9 Sector Priority:	Institutional capacity and the rule of law.

II. Objectives and justification

- 2.1 Tobacco consumption and exposure is responsible for 6 million deaths per year worldwide. In Latin America, annual tobacco related mortality totals about 1 million people aged 30 to 70 years; thus, affecting economies and health systems in the region (PAHO 2016). Latin America spends approximately 0.5% of the region's GDP in health-related costs attributable to smoking, with some countries spending even more than 0.70% of their GDP; namely, Chile (0.86%), Bolivia (0.77%) and Argentina (0.70%). Latin America accounts for about 11% of the one billion smokers in the world and the prevalence of current tobacco smoking is about 17% slightly lower than the world's rate of 21%. However, considering that the region's population is 643 million—equivalent to 9% of the total's world's population of 7 billion, the prevalence of smoking of 17% is a cause of concern. Furthermore, some countries in the region have a very high prevalence rate, such as Chile, where the prevalence rate is at about 40%. Evidence

has demonstrated that smoking is a global health hazard and that has long-term health and economic implications affecting the world and the region. Furthermore, if current trends continue, tobacco consumption will kill more than 8 million people worldwide by 2030 (PAHO 2016).

- 2.2 Tobacco consumption causes economic burden due to the negative effects in population's health. The total economic loss attributable to tobacco usage will reach about US\$13 trillion over the next 20 years—or 1.3% GDP annually (WHO 2015). The economic toll and the ensuing reduction in productivity would likely increase poverty and hinder development. In Latin America only, the direct cost attributable to smoking is US\$30 billion.
- 2.3 Tobacco taxation has the potential to reduce consumption, and generate revenue for governments to fund health programs and essential services. Indeed, tax and tax policies aimed at increasing consumer after-tax prices will effectively reduce tobacco consumption and alleviate the ensuing health related effects in the economy (WHO 2015). Empirical evidence on the effects of tobacco taxation on consumption in Latin America is recent and scarcer than in industrialized countries. However, a recent review in seven countries in the region reveals promising results on partial use of revenue from taxes on tobacco products to strengthen health programs (PAHO, 2016). In Colombia, for example, the entire surcharge on cigarettes—10% over the retail price—is used for health insurance universalization, unification of contributory and subsidized health insurance regimes, and funding services for the poor population in areas not covered by supply subsidies. In Costa Rica, 60% of the collected revenue is used for the diagnosis, treatment and disease prevention associated with smoking, 20% is earmarked to the Ministry of Health to carry out control activities associated to tobacco's use, 10% goes to finance cessation programs of tobacco and derivatives use, and 10% is allocated to support sport activities. In Jamaica, 20% of the tobacco excise tax and 5% of the excise tax is earmarked to the Jamaican National Health Fund (PAHO, 2016).
- 2.4 The impact of tobacco consumption and the policy intervention through tobacco taxation in Latin America, given their implications, are development issues that merit thorough analysis that will benefit all the countries in the Region. Global efforts on tobacco control show the commitment of the international community to address the fact that tobacco use generates a substantial economic burden for society in general. The 2011 UN Declaration of the High-level Meeting of the General Assembly on the Prevention and Control of Non-communicable Diseases and the 2030 Agenda for Sustainable Development and its 17 Sustainable Development Goals, highlight the imperative need to implement the WHO's Framework Convention on Tobacco Control (FCTC) by the FCTC Parties, where it is stated that the: "Higher direct health costs associated with tobacco-related disease, and higher indirect costs associated with premature loss of life, disability due to tobacco-related disease and productivity losses, create significant negative externalities of tobacco use." The IDB's intervention as proposed below will: (a) fill the information gap in the region, (b) address the development issues of tobacco consumption, and (c) align with the international community in its efforts to curtail tobacco consumption in Latin America.
- 2.5 The IDB proposes to carry out case studies in five countries in the region analyzing what has been the impact of recent tax increases have had in said countries. The countries to be

included¹ will be representative of the Latin American region and that have implemented tax increases as a measure to curtail tobacco consumption. The countries that have these characteristics and have a high potential of sharing a common methodology for their analysis are: Argentina, Mexico, Colombia, Peru, and Brazil.

III. Description of activities/components and budget

- 3.1 This project specific grant will finance three main activities to address information gaps and development issues in tobacco consumption in the region.
- 3.2 **Activity 1.** Conduct case studies that considers the potential of revenues through excise taxes. Specifically, this activity will finance the development of five case studies that provide estimates of the impact of tobacco in health and economic costs. The analysis would include policy implications, discussions and recommendations.
- 3.3 **Activity 2.** Promote the policy dialogue with the relevant policy makers to tackle tobacco consumption through taxation policies. Specifically, this activity will finance six workshops to present results of the case studies financed with Activity 1, to selected policy makers.
- 3.4 **Activity 3.** Generate a monograph that compiles the research obtained from Activity 1 and the workshop results from Activity 2. This publication's objective is to be a guide in future public policy decisions regarding tobacco consumption.

Indicative Budget

Activity/Component	IDB/PSG Funding
Activity 1	\$280,000
- Consultancy A. Project manager to oversee execution of analytical work	\$100,000
- Consultancy B. Three experts to peer review case studies	\$30,000
- Consultancy C. Five consultants to carryout in-country case studies that provides estimates of the impact of tobacco in health and economic costs	\$150,000
Activity 2	\$120,000
- Five national workshops	\$90,000
- One regional workshop	\$30,000
Activity 3	75,000
- Monograph that compiles the research conducted and workshop's results	75,000
Fee 5%	\$25,000
Total	\$500,000

¹ Final countries for case studies will be chosen in consultation with Bloomberg Philanthropies.

- 3.5 Bloomberg Philanthropies² expects to commit US\$500,000 to this project. The Bank shall work with the Donor and its partners to maximize ongoing media opportunities, where appropriate for the Program and its efforts, prior consultation with the donor.
- 3.6 Resources of this project to be received from Bloomberg Philanthropies will be provided to the Bank through a Project Specific Grant (PSG). A PSG is administered by the Bank according to the "Report on COFABS, Ad-Hocs and CLFGS and a Proposal to Unify Them as Project Specific Grants (PSGs)" (Document SC-114). As contemplated in these procedures, the commitment from [donor's name] will be established through a separate administrative arrangement. Under such arrangement, the resources for this project will be administered by the Bank and the Bank will charge an administrative fee of 5% of the contribution, which is duly identified in the budget of this project. The 5% administrative fee will be charged after the contribution has been received.

IV. Executing agency and execution structure

- 4.1 The project team will be responsible for the preparation and submission to the donor of the project reporting in compliance with the stipulation of the Administration Agreement.
- 4.2 *If at the end of project execution, the project was closed with a positive uncommitted and unspent balance, the project team will be responsible for informing ORP/GCM to transfer the unspent balance as agreed to by the donor and the Bank pursuant to the terms of the PSG Administration Agreement.*

V. Major issues

- 5.1 None

VI. Exceptions to Bank policy

- 6.1 None

VII. Environmental and Social Strategy

- 7.1 No adverse environmental impact is expected from this TC. Therefore, it is recommended that this TC is classified as category "C".

Required Annexes:

- Results Matrix (developed and generated in Convergence)
- Terms of Reference for activities/components to be procured*.
- Procurement Plan.

² To reverse the global tobacco epidemic, the Bloomberg Initiative (BI) supports adoption of the MPOWER interventions, all of which are proven to be effective: 1. Monitor tobacco use and prevention policies; 2. Protect people from tobacco smoke; 3. Offer help to quit tobacco use; 4. Warn about the dangers of tobacco; 5. Enforce bans on tobacco advertising, promotion and sponsorship; 6. Raise taxes on tobacco. BI also supports work to expose tobacco industry wrong-doing and to draw attention to the tobacco industry's tactics.