

## ADMINISTRATIVE ARRANGEMENT

October 7, 2005

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 eighty-four thousand six hundred seventy-four Pounds Sterling (£84,674) (the "Contribution"), to be administered by the IDB for the project: "Political Economy Analysis of the Budget Process for the Andean Countries (IDB project No. [RS-X1044])" (the "Project").

The provisions of the Framework Arrangement will apply to this Administrative 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 (provisions 5.1.2 (a) and (b)), the IDB will not provide audited financial statements for the Project. Nevertheless, DFID may request that the IDB have its external auditors issue a special report related to this Administrative Arrangement, based on agreed-upon procedures and paid according to the second paragraph of provision 4.2.6 of the Framework Arrangement.

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

£ 84,674 (eighty-four thousand six hundred seventy-four Pounds Sterling)	October, 2005 (upon signature of this Administrative Arrangement)
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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:  
Chief, Cofinancing Division  
Financial Support Services Subdepartment  
Regional Operations Department 2 (RE2/FSS/CEP)

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

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,

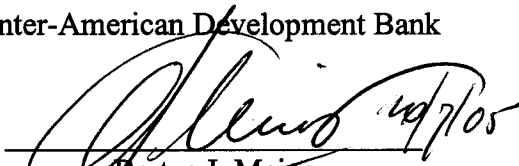


Kevin Crockford

Head, Latin American Regional Unit  
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