

CONFORMED COPY

GRANT NUMBER H742-KI

Grant Agreement

**(Pacific Aviation Investment Program-
Kiribati Aviation Investment Project)**

between

REPUBLIC OF KIRIBATI

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated December 14, 2011

GRANT AGREEMENT

AGREEMENT dated December 14, 2011, entered into between REPUBLIC OF KIRIBATI (“Recipient”) and INTERNATIONAL DEVELOPMENT ASSOCIATION (“Association”).

(A) WHEREAS the Kingdom of Tonga and Tuvalu together with the Recipient wish to carry out a regional program of aviation investments in a coordinated manner with financing provided by the Association and other donors.

The Recipient and the Association hereby agree as follows:

ARTICLE I — GENERAL CONDITIONS; DEFINITIONS

- 1.01. The General Conditions (as defined in the Appendix to this Agreement) constitute an integral part of this Agreement.
- 1.02. Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the General Conditions or in the Appendix to this Agreement.

ARTICLE II — FINANCING

- 2.01. The Association agrees to extend to the Recipient, on the terms and conditions set forth or referred to in this Agreement, a grant in an amount equivalent to fourteen million five hundred thousand Special Drawing Rights (SDR 14,500,000) (variously, “Grant” and “Financing”) to assist in financing the project described in Schedule 1 to this Agreement (“Project”).
- 2.02. The Recipient may withdraw the proceeds of the Financing in accordance with Section IV of Schedule 2 to this Agreement.
- 2.03. The Maximum Commitment Charge Rate payable by the Recipient on the Unwithdrawn Financing Balance shall be one-half of one percent (1/2 of 1%) per annum.
- 2.04. The Payment Dates are February 15 and August 15 in each year.
- 2.05. The Payment Currency is Dollars.

ARTICLE III — PROJECT

- 3.01. The Recipient declares its commitment to the objectives of the Program and the Project. To this end, the Recipient shall:

- (a) through the Line Ministries carry out Parts B (a) through (c) and D of the Project (as it applies to the Line Ministries); and
- (b) through MCTTD with the assistance of the TSFU carry out all the other Parts of the Project

in accordance with the provisions of Article IV of the General Conditions and the Project Agreement.

- 3.02. Without limitation upon the provisions of Section 3.01 of this Agreement, and except as the Recipient and the Association shall otherwise agree, the Recipient shall ensure that the Project is carried out in accordance with the provisions of Schedule 2 to this Agreement.

ARTICLE IV — REMEDIES OF THE ASSOCIATION

- 4.01. The Co-financing Deadline for the effectiveness of the Co-financing Agreement is December 31, 2013.

ARTICLE V — EFFECTIVENESS; TERMINATION

- 5.01. The Effectiveness Deadline is the date ninety (90) days after the date of this Agreement.
- 5.02. For purposes of Section 8.05(b) of the General Conditions, the date on which the obligations of the Recipient under this Agreement (other than those providing for payment obligations) shall terminate is twenty (20) years after the date of this Agreement.

ARTICLE VI — REPRESENTATIVE; ADDRESSES

- 6.01. The Recipient's Representative is the Minister of Finance and Economic Development.
- 6.02. The Recipient's Address is:

Ministry of Finance and Economic Development
P.O. Box 67
Bairiki,
Tarawa

Facsimile:
(686) 21307

6.03. The Association's Address is:

International Development Association
1818 H Street, N.W.
Washington, D.C. 20433
United States of America

Cable:	Telex:	Facsimile:
INDEVAS Washington, D.C.	248423 (MCI)	1-202-477-6391

AGREED at, Tarawa, Republic of Kiribati , as of the day and year first above written.

REPUBLIC OF KIRIBATI

By/s/ Atanteora Beiatou

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By/s Robert Jauncey

Authorized Representative

SCHEDULE 1

Project Description

The objective of the Project is to improve operational safety and oversight of international air transport infrastructure.

The Project is part of the Program and consists of the following parts:

Part A: International Airport Infrastructure Investments

Carrying out of aviation infrastructure investments at Cassidy and Bonriki airports including *inter alia*:

- (a) replacement of the terminal at Cassidy airport and improvements to the terminal at Bonriki airport;
- (b) construction of fire tender vehicle shelter and maintenance equipment building at Cassidy airport;
- (c) resealing the road from London to the Cassidy airport to maintain access;
- (d) installation of new navigation aids, automatic weather monitoring, safety and security equipment at the Cassidy and Bonriki airports;
- (e) provision of airfield maintenance equipment at Cassidy and Bonriki airports;
- (f) upgrading of the Cassidy airport runway lights and improved approach lights for Bonriki airport;
- (g) provision of air traffic control equipment;
- (h) provision of fire safety equipment;
- (i) enhancing the power supply for Cassidy airport and the surrounding village and provision of a standby generator for Bonriki airport;
- (j) conducting a survey of obstacles infringing on the Cassidy and Bonriki airports;
- (k) provision of the Pacific Aviation Safety Network at Cassidy and Bonriki airports;

- (l) construction of a security fence for the Bonriki airport;
- (m) completion of the seawall being constructed at the Bonriki airport, minor repairs of airport infrastructure and construction of facilities for the Bonriki village; and,
- (n) provision of the design and supervision consulting services required for implementation of the infrastructure investments.

Part B: Sector Reform and Training

Provision of technical assistance to MCTTD and the Line Ministries, for *inter alia*:

- (a) strengthening capabilities for aviation sector management, policy, safety and security oversight;
- (b) development and implementation of civil aviation technical regulations and manuals;
- (c) preparation and adoption of an Air Transport Master Plan with measures for airport security strengthening (through the preparation of proposed amendments to the penal code and implementation of a public awareness campaign), projections for air traffic demand, identification of sources of revenue, public service obligations and gap financing, as well as identification and prioritization of domestic airstrip needs, and preparation of a policy road map for separating the roles of regulator and airport operator;
- (d) training on aviation policy, management and operations;
- (e) carrying out of a baseline audit of the safety and security at Cassidy and Bonriki Airports and review progress in the implementation of the ICAO Corrective Action Plan by the Recipient; and
- (f) carrying out of safety and security oversight audits.

Part C: Strengthening Airport Operations and Management Capacity

Provision of technical assistance for, *inter alia*:

- (a) (i) to MCTTD, the establishment of an independent public entity for the management and operation of Kiribati's airports and
- (ii) to the entity to be established as per (a)(i) above, its operations; and

- (b) the management of the operations of the Bonriki and Cassidy airports.

Part D: Project Support

Provision of technical, advisory and administrative support to MCTTD, Line Ministries and the TFSU, and provision of office space and equipment, services of financial auditors and annual subscriptions for the operation of the Pacific Aviation Safety Network during Project implementation.

SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements

The Recipient shall not later than sixty (60) days after the Effective Date:

- (a) establish and thereafter maintain a Program Steering Committee comprised of the Chairmen of the National Steering Committees (or a designated representative) from each of the Program Countries, PASO's General Manager (or a designated representative), the Director of the TFSU, and others as appropriate, to meet at least on a quarterly basis to review and evaluate Program implementation progress;
- (b) nominate its member to the Program Steering Committee, with terms of reference and qualifications satisfactory to the Association;
- (c) establish and thereafter maintain at all times throughout the Project implementation period, the National Steering Committee with powers and composition satisfactory to the Association which shall include *inter alia*, responsibilities to ensure that the Project is consistent with the national goals and objectives of the Recipient for its aviation sector, as well as making recommendations regarding the resolution of Project-related implementation issues and proposing remedial actions;
- (d) establish and thereafter maintain at all times throughout the Project implementation period, the Regional Procurement Evaluation Committee with powers satisfactory to the Association and comprising representatives from TAL, Kiribati and Tuvalu as well as members of the TFSU; and
- (e) establish and thereafter maintain throughout the Project implementation period, the Project Support Team with powers and composition satisfactory to the Association.

B. Service Agreement

1. The Recipient shall not later than sixty (60) days after the Effective Date enter into a service agreement with TAL under terms and conditions which shall have been approved by the Association including *inter alia*:
 - (a) TAL's obligation to provide to the Recipient technical, fiduciary and safeguards monitoring support during the period of implementation

of the Project including preparation and evaluation of bids with the assistance of the Regional Procurement Evaluation Committee;

(b) the parties obligations to establish and thereafter maintain the Program Steering Committee, the National Steering Committee and the Regional Procurement Evaluation Committee with powers and composition satisfactory to the Association, as set forth in such agreement; and

(c) the Recipient's obligation to pay its share of the TFSU Costs in the amounts provided in the Service Agreement out of the proceeds of the Grant;

all in accordance with the provisions of this Agreement.

2. The Recipient shall exercise its rights under the Service Agreement in such manner as to protect the interests of the Recipient, and the Association, and to accomplish the purposes of the Grant, and except as the Association shall otherwise agree in writing, not assign, amend, abrogate or waive the Service Agreement or any provision thereof.

C. Operations Manual

1. The Recipient shall not later than sixty (60) days after the Effective Date:

(a) adopt; and

(b) thereafter carry out the Project in accordance with

an Operations Manual, satisfactory to the Association, which shall include, *inter alia*, the procedures for implementation, procurement, financial management, monitoring and evaluation of the Project and the Project monitoring indicators.

2. The Recipient shall not amend, abrogate or waive any provision of the Operations Manual without the prior written agreement of the Association. In case of any discrepancies between the provisions of the Operations Manual and those of this Agreement, the provisions of this Agreement shall prevail.

D. Environmental and Social Safeguards

1. The Recipient shall:

(a) implement the EMP in accordance with its terms;

(b) when applicable as per the Resettlement Policy Framework, prepare following the requirements of the RPF and furnish to the Association for its approval, the applicable RAP;

- (c) thereafter, implement or cause to be implemented, any such RAP as shall have been approved by the Association;
 - (d) without limitation to the provisions of (b) and (c) of this Section ensure that all land acquisition required for the purposes of carrying out works under the Project are financed exclusively out of its own resources, and shall provide, promptly as needed, the resources needed for this purpose; and
 - (e) report on progress of compliance of the EMP, RPF, and any RAP as described therein.
2. The Recipient shall maintain policies and procedures adequate to enable it to monitor and evaluate, in accordance with guidelines acceptable to the Association, the implementation of the EMP, the RPF and any RAP and the achievement of the objectives of said plans and framework.
 3. The Recipient shall not amend, abrogate or waive any provision of the EMP, RPF or any RAP without the prior written agreement of the Association.
 4. The Recipient shall ensure that each contract for civil works includes the obligation of the respective contractor to implement the EMP.
 5. The Recipient shall take all measures necessary to regularly collect, compile, and submit to the Association, as part of the Project Reports, information on the status of compliance with the EMP, RPF and any RAP providing details of:
 - (a) measures taken in furtherance;
 - (b) conditions, if any, which interfere or threaten to interfere with the smooth implementation; and
 - (c) remedial measures taken or required to be taken to address such conditions.
 6. In the event of any inconsistencies between the provisions of the EMP, the RPF or any RAP and those of this Agreement, the provisions of this Agreement shall prevail.

E. Anti-Corruption

The Recipient shall ensure that the Project is carried out in accordance with the provisions of the Anti-Corruption Guidelines.

F. Other Covenants

The Recipient shall, or shall cause to, not later than:

- (a) December 31, 2012, and thereafter at all times throughout the Project implementation period, collect from departing international air passengers a five Australian Dollars (AU\$5) equivalent levy for use to pay aviation safety and security expenditures incurred by the Recipient.
- (b) June 30, 2012:
 - (i) transfer fire tender assets from its Police Department to the Bonriki International airport;
 - (ii) apply revenues from user fees charged from airplanes using the Recipient's upper airspace to finance aviation safety and security expenditures;
 - (iii) collect departure tax through airlines operating in the Recipient's territory; and
 - (iv) allocate 50% of the Recipient's aviation revenues towards aviation safety and security and operations.

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports

- 1. The Recipient shall monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 4.08 of the General Conditions and on the basis of indicators acceptable to the Association. Each Project Report shall cover the period of one (1) calendar quarter, and shall be furnished to the Association not later than forty-five (45) days after the end of the period covered by such report.
- 2. For purposes of Section 4.08(c) of the General Conditions, the report on the execution of the Project and related plan required pursuant to that Section shall be furnished to the Association not later than six (6) months prior to the Closing Date.

B. Financial Management, Financial Reports and Audits

- 1. The Recipient shall maintain or cause to be maintained a financial management system in accordance with the provisions of Section 4.09 of the General Conditions.
- 2. Without limitation on the provisions of Part A of this Section, the Recipient shall prepare and furnish to the Association as part of the Project Report not later than forty-five (45) days after the end of each calendar quarter, interim unaudited financial reports for the Project covering the quarter, in form and substance satisfactory to the Association.

3. The Recipient shall have its Financial Statements of the Project audited in accordance with the provisions of Section 4.09(b) of the General Conditions. Each audit of the Financial Statements of the Project shall cover the period of one (1) fiscal year of the Recipient and include *inter alia* a special examination of the internal controls and compliance with the agreed-upon procurement procedures. The audited Financial Statements of the Project for each such period shall be furnished to the Association not later than six (6) months after the end of such period.

Section III. Procurement

A. General

1. **Goods and Works.** All goods and works required for the Project and to be financed out of the proceeds of the Financing shall be procured in accordance with the requirements set forth or referred to in Section I of the Procurement Guidelines, and with the provisions of this Section.
2. **Consultants' Services.** All consultants' services required for the Project and to be financed out of the proceeds of the Financing shall be selected in accordance with the requirements set forth or referred to in Sections I and IV of the Consultant Guidelines, and with the provisions of this Section.
3. **Definitions.** The capitalized terms used below in this Section to describe particular procurement methods or methods of review by the Association of particular contracts, refer to the corresponding method described in Section II and III of the Procurement Guidelines, or Section II, III, IV and V of the Consultant Guidelines, as the case may be.

B. Particular Methods of Procurement of Goods and Works

1. **International Competitive Bidding.** Except as otherwise provided in paragraph 2 below, goods, works and non-consulting services shall be procured under contracts awarded on the basis of International Competitive Bidding.
2. **Other Methods of Procurement of Goods and Works.** The following table specifies the methods of procurement, other than International Competitive Bidding, which may be used for goods and works. The Procurement Plan shall specify the circumstances under which such methods may be used:

Procurement Methods:
(a) Shopping
(b) Direct Contracting
(c) Force Account

C. Particular Methods of Selection of Consultants' Services

1. **Quality- and Cost-based Selection.** Except as otherwise provided in paragraph 2 below, consultants' services shall be selected under contracts awarded on the basis of Quality- and Cost-based Selection.
2. **Other Methods of Selection of Consultants' Services.** The following table specifies methods of selection, other than Quality- and Cost-based Selection, which may be used for consultants' services. The Procurement Plan shall specify the circumstances under which such methods may be used:

Selection Methods:
(a) Selection Based on Consultants' Qualifications
(b) Quality Based Selection
(c) Least Cost Selection
(d) Single Source Selection
(e) Procedures set forth in paragraphs 5.2 and 5.3 of the Consultant Guidelines for the Selection of Individual Consultants
(f) Selection of UN Agencies

D. Review by the Association of Procurement Decisions

The Procurement Plan shall set forth those contracts which shall be subject to the Association's Prior Review. All other contracts shall be subject to Post Review by the Association.

Section IV. Withdrawal of the Proceeds of the Financing

A. General

1. The Recipient may withdraw the proceeds of the Financing in accordance with the provisions of Article II of the General Conditions, this Section, and such additional instructions as the Association shall specify by notice to the Recipient (including the "World Bank Disbursement Guidelines for Projects" dated May 2006, as revised from time to time by the Association and as made applicable to this Agreement pursuant to such instructions), to finance Eligible Expenditures as set forth in the table in paragraph 2 below.
2. The following table specifies the categories of Eligible Expenditures that may be financed out of the proceeds of the Financing ("Category"), the allocations of the amounts of the Financing to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category.

Category	Amount of the Financing Allocated (expressed in SDR)	Percentage of Expenditures to be Financed (exclusive of Taxes)
(1) Goods, works, Training, Operating Costs, TFSU Costs and consultants services for all Parts of the Project other than for Parts B (f) and C (a) (ii) thereof	14,250,000	100% of the TFSU Costs paid as per the terms of the Service Agreement; and 100% of all other Eligible Expenditures
(2) Consultants Services for Part C (a) (ii) of the Project	250,000	100%
TOTAL AMOUNT	14,500,000	

B. Withdrawal Conditions; Withdrawal Period

1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made:
 - (a) for payments made prior to the date of this Agreement, except that withdrawals up to an aggregate amount not to exceed SDR 630,557 equivalent may be made for payments made prior to this date but on or after March 1, 2011 for Eligible Expenditures; or
 - (b) for payments made under Category (2) for the operation of the entity referred to in Part C. (a)(ii) of the Project unless such entity has been established in form and substance satisfactory to the Association.
2. The Closing Date is December 31, 2016.

APPENDIX

Definitions

1. “Affected Persons” means persons in Kiribati who, on account of the execution of the Project, have experienced or would experience direct economic and social impacts caused by the involuntary taking of land, resulting in: (i) loss of assets or access to assets; or (ii) loss of income sources or means of livelihood, whether or not such persons must move to another location resulting in adverse impacts on the livelihood of such persons; and “Affected Person” means any of such Affected Persons.
2. “Anti-Corruption Guidelines” means the “Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants”, dated October 15, 2006, and revised in January 2011.
3. “AU\$” means Australian Dollars, the lawful currency of Australia.
4. “Category” means the categories set forth in the table in Section IV of Schedule 2 to this Agreement.
5. “Co-financier” means PRIF.
6. “Co-financing” means, for purposes of paragraph 11 of the Appendix to the General Conditions, an amount of \$280,000 to be provided by the Co-financier to assist in financing Part B (f) of the Project.
7. “Co-financing Agreement” means the agreement or agreements to be entered into between the Recipient and the Association (as administrator of PRIF funds) providing for the-financing and referred to in Section 4.01 of this Agreement.
8. “Consultant Guidelines” means Guidelines: Selection and Employment of Consultants under IBRD Loans and IDA Credits and Grants by World Bank Borrowers” dated January 2011.
9. “Environmental Management Plan” or “EMP” means the Environmental Management Plan, dated July 11, 2011, which sets out, with respect to the Project, mitigation, enhancement, monitoring, and institutional measures, including capacity building through training, to be implemented in Kiribati to eliminate any adverse environmental impacts of activities to be implemented, offset them, or reduce them to acceptable levels, or enhance positive impacts; as well as administrative and monitoring arrangements to ensure the implementation of said plan, as said plan may be revised from time to time with the prior written agreement of the Association, and such term includes any annexes or schedules to such plan.
10. “General Conditions” means the “International Development Association General Conditions for Credits and Grants”, dated July 31, 2010.
11. “ICAO” means International Civil Aviation Organization, the organization established pursuant to the Chicago Convention on International Civil Aviation signed on December 7, 1944, which was ratified by the Recipient on April 14, 1981, and which entered into force on May 14, 1981; or any successor thereto.

12. "ICAO Corrective Action Plan" means the action plan prepared by the Recipient to address deficiencies identified through audits carried out by ICAO under its safety and security oversight program.
13. "Kiribati" means the Republic of Kiribati.
14. "Line Ministries" means the Recipient's Ministries of Finance and Economic Development, Public Works and Utilities, Environment, Land and Agricultural Development, Line and Phoenix Development or any successors thereto, and any other of the Recipient's ministries that may be proposed by the Recipient and agreed to by the Association for purposes of implementing and/or benefiting from the activities referred to in Part B (a) through (c) and D of the Project.
15. "MCTTD" means the Recipient's Ministry of Communications, Transport and Tourism Development.
16. "National Steering Committee" means the committee referred to in Section I.A.(c) of Schedule 2 to this Agreement.
17. "Operating Costs" means incremental expenses incurred by the Recipient (other than TFSU Operating Costs) on account of the implementation, management, and monitoring and evaluation of the Project, based on the annual budgets approved by the Association, including rental of office space, bank charges, communications, utilities, stationery, vehicle operation, maintenance, and insurance, transportation costs, and accommodations and allowances of MCCT's and the Line Ministries' staff, but excluding salaries, fees, honoraria, bonuses, and any other salary supplements of the Recipient's civil servants.
18. "Operations Manual" means the operations manual referred to in Section I.C.1 of Schedule 2 to this Agreement.
19. "Pacific Aviation Safety Network" means a satellite based communications network providing a secure communication link between airports, civil aviation authorities and airlines in the Pacific region.
20. "PASO" means Pacific Aviation Safety Office, the office established under the terms of the Pacific Islands Civil Aviation Safety and Security Treaty (PICASST), which was ratified by the Recipient on May 2, 2006, or any successor thereto.
21. "PRIF" means Pacific Region Infrastructure Facility, a trust fund currently administered by the Association.
22. "Procurement Guidelines" means the "Guidelines: Procurement of Goods, Works and Non-consulting Services under IBRD Loans and IDA Credits and Grants by World Bank Borrowers" dated January 2011.
23. "Procurement Plan" means the Recipient's procurement plan for the Project, dated November 4, 2011 and referred to in paragraph 1.16 of the Procurement Guidelines and paragraph 1.24 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.
24. "Program" means the regional aviation program to be carried out by Tonga, Kiribati, Tuvalu and other Program Countries, as presented to such countries in the PASO's Council Meeting held at Noumea, New Caledonia, on October 13, 2011 at which time the potential interest of

the proposed future Program countries (Samoa, Solomon Islands and Vanuatu) was confirmed, and as set forth in minutes of such meeting dated October 21, 2011.

25. "Program Countries" means Tonga, Kiribati, Tuvalu and other Pacific States which may participate in the Program.
26. "Project Support Team" means the team referred to in Section I. A. (e) of Schedule 2 to this Agreement.
27. "Regional Procurement Evaluation Committee" means the referred to in Section I.A. (d) of Schedule 2 to this Agreement.
28. "Resettlement Action Plan" or "RAP" means any plan prepared in accordance with the RPF and approved by the Association as the same may be revised from time to time with the prior written agreement of the Association.
29. "Resettlement Policy Framework" or "RPF" means the Resettlement Policy Framework dated July 11, 2011, which sets out the principles and procedures:
 - (a) to address impacts to land and other assets and the compensation of Affected Persons on account of such impacts during the execution of the Project; and
 - (b) for preparation of Resettlement Plans as per the RPF, as well as the monitoring and reporting arrangements to ensure compliance with said framework and plans, as the same may be revised from time to time with the prior written agreement of the Association.
30. "Service Agreement" means the agreement, referred to in Section I B.1 of Schedule 2 to this Agreement, to be entered into between the Recipient and TAL, as said agreement may be revised from time to time with the prior written agreement of the Association, and such term includes any annexes or schedules to such agreement.
31. "TAL" means Tonga Airports Limited, the corporation established and operating pursuant to the Tonga's Civil Aviation Act 1990, Companies Act 1995 and Public Enterprises Act 2002.
32. "Technical and Fiduciary Services Unit" or "TFSU" means the unit to be established in TAL for regional coordination and Project implementation as per the terms of the agreement to be entered into between TAL and the Association under the Program.
33. "TFSU Costs" means:
 - (a) the costs of consultants services of the TFSU providing services:
 - (i) to Tonga, Kiribati and Tuvalu, prorated between each of the said countries based on the percentage of financing for the Program provided by the Association to each country relative to the Projects total costs which are as follows: Kiribati 37%; Tonga 44% and Tuvalu 19%, and
 - (ii) for specific activities in a country at full cost to the respective country; and
 - (b) the applicable TFSU Operating Costs..
34. "TFSU Operating Costs" means incremental expenses incurred by TAL through the TFSU on account of the delivery of services under each of the Service Agreements, based on the annual budgets approved by the Association, including rental of office space, bank charges, communications, utilities, stationery, vehicle operation, maintenance, and insurance,

transportation costs, and accommodations and allowances of TAL's staff, but excluding salaries, fees, honoraria, bonuses, and any other salary supplements.

35. "Tonga" means the Kingdom of Tonga.
36. "Training" means the reasonable costs of training under the Project, based on the annual budgets approved by the Association, and attributable to seminars, workshops, and study tours, along with domestic and international travel and subsistence allowances for training participants, services of trainers, rental of training facilities, preparation and reproduction of training materials, and other activities directly related to course preparation and implementation.