

CONFORMED COPY

CREDIT NUMBER 1974 KE

(Rural Services Design Project)

between

REPUBLIC OF KENYA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated March 6, 1989

CREDIT NUMBER 1974 KE

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated March 6, 1989, between REPUBLIC OF KENYA (the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

WHEREAS (A) the Borrower, having satisfied itself as to the feasibility and priority of the Project described in Schedule 2 to this Agreement, has requested the Association to assist in the financing of the Project;

(B) the Borrower intends to obtain from the United Nations Development Programme (UNDP) a grant in an amount of five million dollars (\$5,000,000) to assist in financing Parts A, C, G and H of the Project on the terms and conditions set forth in an agreement (the UNDP Agreement) to be entered into between the Borrower and UNDP.

(C) Part A of the Project will be carried out by the Agricultural Finance Corporation (AFC) with the Borrower's assistance and, as part of such assistance, the Borrower will make available

to AFC part of the proceeds of the Credit as provided in this Agreement; and

WHEREAS the Association has agreed, on the basis, inter alia, of the foregoing, to extend the Credit to the Borrower upon the terms and conditions set forth in this Agreement and in the Project Agreement of even date herewith between the Association and AFC;

NOW THEREFORE the parties hereto hereby agree as follows:

#### ARTICLE I

##### General Conditions; Definitions

Section 1.01. The "General Conditions Applicable to Development Credit Agreements" of the Association, dated January 1, 1985, with the last sentence of Section 3.02 deleted (the General Conditions) constitute an integral part of this Agreement.

Section 1.02. Unless the context otherwise requires, the several terms defined in the General Conditions and in the Preamble to this Agreement have the respective meanings therein set forth and the following additional terms have the following meanings:

(a) "Project Agreement" means the agreement between the Association and AFC of even date herewith, as the same may be amended from time to time, and such term includes all schedules and agreements supplemental to the Project Agreement;

(b) "Subsidiary Loan Agreement" means the agreement to be entered into between the Borrower and AFC pursuant to Section 3.01 (d) of this Agreement, as the same may be amended from time to time, and such term includes all schedules to the Subsidiary Loan Agreement;

(c) "MOA" means the Borrower's Ministry of Agriculture;

(d) "MOCD" means the Borrower's Ministry of Cooperative Development;

(e) "MOE" means the Borrower's Ministry of Energy;

(f) "MOF" means the Borrower's Ministry of Finance;

(g) "MOLD" means the Borrower's Ministry of Livestock Development;

(h) "MPND" means the Borrower's Ministry of Planning and National Development;

(i) "MTW" means the Borrower's Ministry of Tourism and Wildlife;

(j) "AFC" means the Agricultural Finance Corporation, a statutory corporation established by the Agricultural Finance Corporation Act, 1969, Chapter 323 of the Borrower's laws;

(k) "ERD" means the External Resources Department of MOF;

(l) "KVDA" means the Kerio Valley Development Authority a autonomous agency of MOE, established by the Kerio Valley Development Authority, Act 1979, Chapter 441 of the Borrower's Laws;

(m) "PRC" means the Project Review Committee established by the Borrower pursuant to paragraph 1 of Schedule 4 to this Agreement;

(n) "DDC" means a District Development Committee;

(o) "Subproject" means any of the activities described under the various Parts of the Project and other activities to be identified in accordance with the criteria described in Schedule 5 to this Agreement; and

(p) "Project Preparation Advance" means the project preparation advance granted by the Association to the Borrower pursuant to an exchange of letters dated October 28, 1987, and February 4, 1988, between the Borrower and the Association.

## ARTICLE II

### The Credit

Section 2.01. The Association agrees to lend to the Borrower, on the terms and conditions set forth or referred to in this Agreement, an amount in various currencies equivalent to fifteen million five hundred thousand Special Drawing Rights (SDR 15,500,000).

Section 2.02. (a) The amount of the Credit may be withdrawn from the Credit Account in accordance with the provisions of Schedule 1 to this Agreement for expenditures made (or, if the Association shall so agree, to be made) in respect of the reasonable cost of goods and services required for the Project and to be financed out of the proceeds of the Credit.

(b) Promptly after the Effective Date, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and pay to itself the amount required to repay the principal amount of the Project Preparation Advance withdrawn and outstanding as of such date and to pay all unpaid charges thereon. The unwithdrawn balance of the authorized amount of the Project Preparation Advance shall thereupon be cancelled.

Section 2.03. The Closing Date shall be December 31, 1993, or such later date as the Association shall establish. The Association shall promptly notify the Borrower of such later date.

Section 2.04. (a) The Borrower shall pay to the Association a commitment charge on the principal amount of the Credit not withdrawn from time to time at a rate to be set by the Association as of June 30 of each year, but not to exceed the rate of one-half of one percent (1/2 of 1%) per annum.

(b) The commitment charge shall accrue: (i) from a date sixty days after the date of this Agreement (the accrual date) to the respective dates on which amounts shall be withdrawn by the Borrower from the Credit Account or cancelled; and (ii) at the rate set as of the June 30 immediately preceding the accrual date or at such other rates as may be set from time to time thereafter pursuant to paragraph (a) above. The rate set as of June 30 in each year shall be applied as of the next payment date in that year specified in Section 2.06 of this Agreement, except that the rate set as of June 30, 1988, shall be applied as of July 1, 1988.

(c) The commitment charge shall be paid: (i) at such places as the Association shall reasonably request; (ii) without restrictions of any kind imposed by, or in the territory of, the Borrower; and (iii) in the currency specified in this Agreement for the purposes of Section 4.02 of the General Conditions or in such other eligible currency or currencies as may from time to time be designated or selected pursuant to the provisions of that Section.

Section 2.05. The Borrower shall pay to the Association a service charge at the rate of three-fourths of one per cent (3/4 of 1%) per annum on the principal amount of the Credit withdrawn and outstanding from time to time.

Section 2.06. Commitment charges and service charges shall be payable semiannually on January 15 and July 15 in each year.

Section 2.07. (a) Subject to paragraphs (b) and (c) below, the Borrower shall repay the principal amount of the Credit in semi-annual installments payable on each January 15 and July 15 commencing January 15, 1999, and ending July 15, 2023. Each installment to and including the installment payable on July 15, 2008, shall be one and one-fourth percent (1-1/4%) of such principal amount, and each installment thereafter shall be two and one-half percent (2-1/2%) of such principal amount.

(b) Whenever: (i) the Borrower's gross national product per capita, as determined by the Association, shall have exceeded \$790 in constant 1985 dollars for five consecutive years; and (ii) the Bank shall consider the Borrower creditworthy for Bank lending, the Association may, subsequent to the review and approval thereof by the Executive Directors of the Association and after due consideration by them of the development of the Borrower's economy, modify the terms of repayment of installments under paragraph (a) above by requiring the Borrower to repay twice the amount of each such installment not yet due until the principal amount of the Credit shall have been repaid. If so requested by the Borrower, the Association may revise such modification to include, in lieu of some or all of the increase in the amounts of such installments, the payment of interest at an annual rate agreed with the Association on the principal amount of the Credit withdrawn and outstanding from time to time, provided that, in the judgment of the Association, such revision shall not change the grant element obtained under the above-mentioned repayment modification.

(c) If, at any time after a modification of terms pursuant to paragraph (b) above, the Association determines that the Borrower's economic condition has deteriorated significantly, the Association may, if so requested by the Borrower, further modify the terms of repayment to conform to the schedule of installments as provided in paragraph (a) above.

Section 2.08. The currency of the United States of America is hereby specified for the purposes of Section 4.02 of the General Conditions.

### ARTICLE III

#### Execution of the Project

Section 3.01. (a) The Borrower declares its commitment to the objectives of the Project as set forth in Schedule 2 to this Agreement and, to this end, shall carry out Parts B through I of the Project through MPND, MOA, MOCD, MOLD, MOE and MTW with due diligence and efficiency and in conformity with appropriate administrative and financial practices, and shall provide promptly as needed, the funds, facilities, services and other resources required for the purpose.

(b) Without limitation upon the provisions of paragraph (a) of this Section and except as the Borrower and the Association shall otherwise agree, the Borrower shall carry out Parts B through I of the Project in accordance with the Implementation Program set forth in Schedule 4 to this Agreement.

(c) Without any limitation or restriction upon any of its other obligations under this Agreement, the Borrower shall cause AFC to perform in accordance with the provisions of the Project Agreement all the obligations of AFC therein set forth, shall take and cause to be taken all action, including the provision of funds, facilities, services and other resources, necessary or appropriate to enable AFC to perform such obligations, and shall not take or permit to be taken any action which would prevent or interfere with such performance.

(d) The Borrower shall relend the proceeds of the Credit allocated to Part A of the Project, for agricultural credit, to AFC under a subsidiary loan agreement to be entered into between

the Borrower and AFC, under terms and conditions which shall have been approved by the Association, which shall provide, inter alia, that the proceeds of the Credit shall be relent at an interest rate of at least 7.6% per annum, for a term of fifteen (15) years including a grace period of four (4) years.

(e) The Borrower shall make the proceeds of the Credit allocated to Part A of the Project, for the institution-building components, available to AFC as an equity contribution.

(f) The Borrower shall exercise its rights under the Subsidiary Loan Agreement in such manner as to protect the interests of the Borrower and the Association and to accomplish the purposes of the Credit, and except as the Association shall otherwise agree, the Borrower shall not assign, amend, abrogate or waive the Subsidiary Loan Agreement or any provision thereof.

Section 3.02. (a) The Borrower shall ensure that AFC maintains positive real interest rates.

(b) The Borrower shall, within the context of its periodic review of interest rates for its lending institutions, by June 30 of each year commencing June 30, 1989, review AFC's interest rates to ensure that the rates are: (i) positive in real terms; (ii) provide AFC with an adequate spread over its operations and lending risks; and (iii) are consistent with market rates.

Section 3.03. Except as the Association shall otherwise agree, procurement of the goods, works and consultants' services required for the Project and to be financed out of the proceeds of the Credit shall be governed by the provisions of Schedule 3 to this Agreement.

Section 3.04. The Borrower and the Association hereby agree that the obligations set forth in Sections 9.03 through 9.08 of the General Conditions (relating to insurance, use of goods and services, plans and schedules, records and reports, maintenance and land acquisition, respectively) in respect of Part A of the Project shall be carried out by AFC pursuant to Section 2.03 of the Project Agreement.

Section 3.05. The Borrower shall ensure that adequate budgetary provisions are made for the Subprojects: (a) in the forward budget commencing with the 1989/90 - 1991/92 forward budget; and (b) the annual budget estimates commencing in 1988/89.

Section 3.06. The Borrower shall: (a) ensure that each subproject is carried out in accordance with the operational plan of action agreed with the Association; and (b) make amendments to such operational plan of action, following a review to be carried out not later than February 1 in each year, commencing in 1989.

Section 3.07. The Borrower shall: (a) furnish to the Association for its review and approval all proposals for new subprojects under Part I of the Project; and (b) ensure that all subprojects are selected and implemented in accordance with the criteria outlined in Schedule 5 to this Agreement.

#### ARTICLE IV

##### Financial Covenants

Section 4.01. (a) The Borrower shall maintain or cause to be maintained records and accounts adequate to reflect in accordance with sound accounting practices the operations, resources and expenditures in respect of Parts B through I of the Project, of the departments or agencies of the Borrower responsible for carrying out the Project or any part thereof.

(b) The Borrower shall:

(i) have the records and accounts referred to in para-

graph (a) of this Section for each fiscal year audited, in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the Association;

- (ii) furnish to the Association, as soon as available, but in any case not later than nine months after the end of each such year, a certified copy of the report of such audit by said auditors, of such scope and in such detail as the Association shall have reasonably requested; and
- (iii) furnish to the Association such other information concerning said records, accounts and the audit thereof as the Association shall from time to time reasonably request.

(c) For all expenditures with respect to which withdrawals from the Credit Account were made on the basis of statements of expenditure, the Borrower shall:

- (i) maintain or cause to be maintained, in accordance with paragraph (a) of this Section, records and accounts reflecting such expenditures;
- (ii) retain, until at least one year after the Association has received the audit for the fiscal year in which the last withdrawal from the Credit Account was made, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures;
- (iii) enable the Association's representatives to examine such records; and
- (iv) ensure that such records and accounts are included in the annual audit referred to in paragraph (b) of this Section and that the report of such audit contains a separate opinion by said auditors as to whether the statements of expenditure submitted during such fiscal year, together with the procedures and internal controls involved in their preparation, can be relied upon to support the related withdrawals.

#### ARTICLE V

##### Remedies of the Association

Section 5.01. Pursuant to Section 6.02 (h) of the General Conditions, the following additional events are specified:

- (a) AFC shall have failed to perform any of its obligations under the Project Agreement;
- (b) as a result of events which have occurred after the date of this Agreement, an extraordinary situation shall have arisen which shall make it improbable that AFC will be able to perform its obligations under the Project Agreement;
- (c) the Agricultural Finance Corporation Act shall have been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of AFC to perform any of its obligations under the Project Agreement; and
- (d) the Borrower or any other authority having jurisdiction shall have taken any action for the dissolution or disestablishment of AFC or for the suspension of its operations.

Section 5.02. Pursuant to Section 7.01 (d) of the General Conditions, the following additional events are specified:

(a) the event specified in paragraph (a) of Section 5.01 of this Agreement shall occur and shall continue for a period of sixty days after notice thereof shall have been given by the Association to the Borrower; and

(b) the events specified in paragraphs (c) and (d) of Section 5.01 of this Agreement shall occur.

#### ARTICLE VI

##### Effective Date; Termination

Section 6.01. The following events are specified as additional conditions to the effectiveness of this Agreement within the meaning of Section 12.01 (b) of the General Conditions:

(a) the Subsidiary Loan Agreement has been executed on behalf of the Borrower and AFC; and

(b) the PRC referred to in paragraph 1 of Schedule 4 to this Agreement has been established.

Section 6.02. The following are specified as additional matters, within the meaning of Section 12.02 (b) of the General Conditions, to be included in the opinion or opinions to be furnished to the Association:

(a) that the Project Agreement has been duly authorized or ratified by AFC, and is legally binding upon AFC in accordance with its terms; and

(b) that the Subsidiary Loan Agreement has been duly authorized or ratified by the Borrower and AFC and is legally binding upon the Borrower and AFC in accordance with its terms.

Section 6.03. The date ninety (90) days after the date of this Agreement is hereby specified for the purposes of Section 12.04 of the General Conditions.

#### ARTICLE VII

##### Representative of the Borrower; Addresses

Section 7.01. The minister at the time responsible for finance of the Borrower is designated as representative of the Borrower for the purposes of Section 11.03 of the General Conditions.

Section 7.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Borrower:

Ministry of Finance  
P.O. Box 30007  
Nairobi  
Kenya

Cable address:

FINANCE  
Nairobi

Telex:

22921 MINFIN KE  
96322003

For the Association:

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

Cable address:

Telex:

INDEVAS  
Washington, D.C.

440098 (ITT)  
248423 (RCA) or  
64145 (WUI)

IN WITNESS WHEREOF, the parties hereto, acting through their duly authorized representatives, have caused this Agreement to be signed in their respective names in the District of Columbia, United States of America, as of the day and year first above written.

REPUBLIC OF KENYA

By /s/ D. D. Afande  
Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Edward V.K. Jaycox  
Regional Vice President  
Africa

SCHEDULE 1

Withdrawal of the Proceeds of the Credit

1. The table below sets forth the Categories of items to be financed out of the proceeds of the Credit, the allocation of the amounts of the Credit to each Category and the percentage of expenditures for items so to be financed in each Category:

Category	Amount of the Credit Allocated (Expressed in SDR Equivalent)	% of Expenditures to be Financed
(1) Civil works	3,120,000	90%
(2) Vehicles and equipment	2,820,000	100% of foreign expenditures and 60% of local expenditures
(3) Consultants' services and training	1,710,000	100%
(4) Incremental non-salary operating costs	2,110,000	50%
(5) Agricultural Credit under Part A of the Project	2,230,000	70%
(6) Refunding of Project Prepara- tion Advance	520,000	Amount due pur- suant to Section 2.02 (b) of this Agreement
(7) Unallocated	2,990,000	



TOTAL 15,500,000

2. For the purposes of this Schedule:

(a) the term "foreign expenditures" means expenditures in the currency of any country other than that of the Borrower for goods or services supplied from the territory of any country other than that of the Borrower; and

(b) the term "local expenditures" means expenditures in the currency of the Borrower or for goods or services supplied from the territory of the Borrower.

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of:

(a) payments made for expenditures prior to the date of this Agreement, except that withdrawals, in an aggregate amount not exceeding the equivalent of SDR 1,550,000, may be made on account of payments made for expenditures before that date but after September 1, 1988; and

(b) payments made for expenditures for any subproject until:  
(i) completion of the financing arrangement between the Borrower and UNDP for the particular subproject; (ii) completion of an Implementation Report satisfactory to the Association; and (iii) appointment of a subproject coordinator with suitable qualifications and experience.

SCHEDULE 2

Description of the Project

The objectives of the Project are to: (i) test effective approaches and assess the feasibility of innovative investments, in order to resolve constraints to agricultural development and which offer potential for replication and for raising the productivity and incomes of the rural population; and (ii) establish programmatic mechanisms and strengthen the institutional procedures and capacities to generate innovative ideas for development into concrete subprojects.

The Project consists of the following parts, subject to such modifications thereof as the Borrower and the Association may agree upon from time to time to achieve such objectives:

Part A: Credit

1. Smallholder Lending. Broadening and further testing of innovative approaches to increasing share of credit resources to smallholders and improving credit management in about 7 of AFC's branches, through strengthening AFC's loan analysis and processing capabilities, credit management and supervision procedures, strengthening of credit/extension linkages and the provision of credit to smallholders. Provision of technical assistance, vehicles and equipment for above activities.
2. Ranch Lending. Introduction of improvements in the management, technical and supervision approach followed by AFC in lending for ranch development, through the rehabilitation of the management of about four ranches based on a satisfactory rehabilitation program and the provision of credit.
3. Deposit Taking. Introduction by AFC of deposit taking activities through the establishment of a subsidiary, the Agricultural Development Bank, the rehabilitation of facilities and provision of equipment, technical assistance and training.

Part B: Livestock Marketing

1. Improving the efficiency of livestock marketing in the Southern Rangelands through: (i) the introduction of a livestock market intelligence system, with an initial focus on the needs in the Project area; (ii) introduction of a livestock auction system; (iii) involvement of local authorities in the operation and management of market facilities; (iv) provision of loans to groups of small-scale primary traders through group guarantees; (v) strengthening of livestock marketing services; and (vi) provision of livestock inputs and mobile banking services at auction yards.
2. Rehabilitation of selected infrastructure and the provision of technical assistance, training and equipment for the above activities.

Part C: Cooperative Management Improvement

1. Development and implementation of measures to improve management capability and performance at the cooperative society/union level and to improve MOCD's effectiveness to provide services to cooperatives at the field level.
2. Provision of: (i) training to MOCD's field personnel; (ii) training to staff and members of cooperatives societies/unions; and (iii) vehicles and office equipment.

Part D: Baringo

1. Development, testing and adoption of improved and replicable approaches to the provision of rural services in arid and semi-arid lands through: (i) improved resource planning methods; and (ii) flexible financing mechanisms.
2. Undertaking of small physical works and the provision of training, equipment and vehicles for the above activities.

Part E: Suam River Catchment Rehabilitation

1. Testing of innovative and low cost approaches to planning and implementation of land rehabilitation efforts in semi-arid areas, in order to reduce soil erosion and enhance productivity.
2. Strengthening of institutional capabilities of the Kerio Valley Development Authority and the West Pokot DDC.
3. Rehabilitation of selected degraded land and the provision of vehicles and equipment for above activities.

Part F: Wildlife Conservation and Development

1. Development of improved methods of increasing the economic benefits of wildlife to the local populations adjacent to National Parks and Reserves, while conserving wildlife.
2. Construction and rehabilitation of wildlife development and conservation facilities and the provision of training, technical assistance, vehicles and equipment for above activities.

Part G: Rural Oil/Protein Production and Processing

1. Promotion of the economic cultivation of oilseeds and its rural processing, through the development of

appropriate agricultural technology for oilseeds production and processing.

2. Provision of equipment, vehicles, training and technical assistance for above activities.

Part H: Monitoring and Evaluation

1. Establishment of a system for monitoring and evaluating the impact of agricultural and rural development strategies and the strengthening of MPND and participating Ministries in stimulating feedback on the implementation and effectiveness of programs and policy.
2. Provision of equipment, vehicles, technical assistance and training for above activities.

Part I: Other Subprojects

Implementation of other priority subprojects identified by the Borrower.

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The Project is expected to be completed by June 30, 1993.

SCHEDULE 3

Procurement and Consultants' Services

Section I. Procurement of Goods and Works

Part A: International Competitive Bidding

1. Except as provided in Part C hereof, goods and works shall be procured under contracts awarded in accordance with procedures consistent with those set forth in Sections I and II of the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Bank in May 1985 (the Guidelines).

2. To the extent practicable contracts for civil works and goods shall be grouped in bid packages estimated to cost the equivalent of \$1,000,000 and \$100,000 or more each, respectively.

Part B: Preference for Domestic Manufacturers

In the procurement of goods in accordance with the procedures described in Part A.1 hereof, goods manufactured in Kenya may be granted a margin of preference in accordance with, and subject to, the provisions of paragraphs 2.55 and 2.56 of the Guidelines and paragraphs 1 through 4 of Appendix 2 thereto.

Part C: Other Procurement Procedures

Civil works estimated to cost less than the equivalent of \$1,000,000 and goods estimated to cost less than the equivalent of \$100,000, respectively, may be procured under contracts awarded on the basis of competitive bidding, advertised locally, in accordance with procedures satisfactory to the Association.

Part D: Review by the Association of Procurement Decisions

1. Review of invitations to bid and of proposed awards and final contracts:

(a) With respect to each contract for civil works estimated to cost the equivalent of \$250,000 or more, and the goods estimated to cost the equivalent of \$100,000 or more the procedures set forth in paragraphs 2 and 4 of Appendix 1 to the Guidelines shall apply.

(b) With respect to each contract not governed by the pre-

ceding paragraph, the procedures set forth in paragraphs 3 and 4 of Appendix 1 to the Guidelines shall apply.

(c) The provisions of the preceding subparagraphs (a) and (b) shall not apply to contracts on account of which the Association has authorized withdrawals from the Credit Account on the basis of statements of expenditure. Such contracts shall be retained in accordance with Section 4.01 (c) (ii) of this Agreement.

2. The figure of 15% is hereby specified for purposes of paragraph 4 of Appendix 1 to the Guidelines.

## Section II. Employment of Consultants

In order to assist the Borrower and AFC in carrying out the Project, the Borrower and AFC shall employ consultants whose qualifications, experience and terms and conditions of employment shall be satisfactory to the Association. Such consultants shall be selected in accordance with principles and procedures satisfactory to the Association on the basis of the "Guidelines for the Use of Consultants by World Bank Borrowers and by the World Bank as Executing Agency" published by the Bank in August 1981.

### SCHEDULE 4

#### Implementation Program

##### Coordination:

1. The Borrower shall establish and maintain until completion of the Project, PRC chaired by the Permanent Secretary, MOF, and comprised of senior officers from MPND, MOF, MOA, MOLD, MOE, MOCD and MTW with additional representation from Project executing agencies as needed. PRC shall: (i) decide on the proposals for new subprojects based on the criteria outlined in Schedule 5 to this Agreement; and (ii) periodically review progress in implementation of subprojects with a view to determining the merits of expansion.
2. The Borrower shall ensure that: (i) each sub-project shall be implemented by the ministry or agency concerned; and (ii) each executing ministry and agency shall designate a subproject coordinator.
3. ERD shall compile and aggregate for each executing ministry and agency, the various progress reports, subproject accounts and supporting documentation, for the Project.
4. MPND shall provide overall coordination for the Project, focusing primarily on its developmental aspects to: (a) provide guidance to the subproject activities from the perspective of sectoral planning and strategy; (b) provide the secretariat for PRC; and (c) assist in determining the justification for expanding investment activities, based on the monitoring and evaluation results and on sectoral strategies and policies.

##### Implementation of Individual Subprojects

5. Livestock Marketing. MOLD shall implement this subproject through its field offices in the Narok and Kajiado districts, except for the Livestock Marketing Information System which will be introduced in other districts. Overall coordination will be provided by the Livestock Marketing Division at headquarters. DDCs shall assist with activities such as establishment and management of the auction.
6. Cooperative Management Improvement. MOCD shall implement

- this subproject initially in 7 districts. Day-to-day execution shall be through MOCD district personnel, under the overall responsibility of the District Cooperative Officer, who shall appoint a cooperative officer to coordinate and supervise project activities. MOCD's Projects and Management Division will provide overall project coordination through a full-time Project Coordinator, who shall ensure consistency in approach and in implementation arrangements amongst the participating districts.
7. Baringo. MPND shall coordinate the implementation of this subproject. At the district level, activities shall be carried out by the participating functional ministries - MOA, MOLD, Ministry of Water Development and Ministry of Land Settlement, under the overall responsibility of the District Commissioner.
  8. Suam River Catchment Rehabilitation. KVDA, shall execute this component, with participation of the West Pokot DDC and beneficiaries in the planning and execution phases KVDA shall designate a subproject coordinator.
  9. Wildlife Development and Conservation. MTW's Department of Wildlife Conservation and Management shall implement this subproject with day-to-day coordination carried out by the Subproject Coordinator, supported by a subproject task force, comprised of officials from MTW. The Subproject Coordinator, with the assistance of the task force, shall coordinate participation of various agencies, national park/reserve staff and county councils from the four subproject areas and the private individuals or groups from adjacent areas.
  10. Rural Oil/Protein Production and Processing. MOA's Crop Development Division shall have overall responsibility for implementing this subproject, with day-to-day coordination by a senior officer of the Division. A number of collaborating executing agencies and divisions shall provide the needed expertise for each of the Project's main components of research, extension and rural processing technology.
  11. Monitoring and Evaluation. MPND shall execute and coordinate this subproject. Monitoring activities of each subproject and agricultural strategies and policies shall be carried out by the various line ministries and participating DDCs. MPND shall contract a local institution to assist it in carrying out the impact evaluation of the various subprojects. Each subproject shall have its own arrangements for monitoring, in order to assess and adjust its day-to-day implementation. The executing agency concerned shall prepare bi-annual progress reports and use them as basis for adjusting implementation programs and for preparing annual work plans. Such progress reports shall be promptly furnished to ERD, the Association and UNDP. The Implementation Report to each subproject shall include a monitoring and evaluation plan, indicating the main performance and evaluation indicators.
  12. Mid-Term Review. The Borrower shall carry out with the Association and UNDP, a mid-term progress review and evaluation for each subproject. The findings of the review shall provide the basis for any adjustments in the design of the subprojects and utilization of any remaining funds.

#### SCHEDULE 5

#### Criteria for Selection and Design of Subprojects (Section 3.06)

Subprojects shall:

1. be of strategic importance to future sustained development of the Borrower's rural sector by: (a) removing constraints to growth and/or developing untapped sources of growth; (b) increasing incomes and employment of rural population; (c) offering potential for replication over a large area; and (d) providing "seed" funds for mobilizing private investment and promoting rural entrepreneurship.
  2. exhibit improved technology and/or organizational arrangements in its design and/or implementation, which need to be tested on a limited scale before being expanded.
  3. cost less than \$3,500,000 over a two to four year implementation period.
  4. promote improved and sustained resource use.
  5. be a priority activity of executing ministry or agency as indicated in its policy statement and its forward and annual budgets.
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