

IDA GRANT NUMBER H065 KE

Development Grant Agreement

(Development Learning Center Project)

between

REPUBLIC OF KENYA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated November 10, 2003

IDA GRANT NUMBER H065 KE

DEVELOPMENT GRANT AGREEMENT

AGREEMENT, dated November 10, 2003, between the REPUBLIC OF KENYA (the Recipient) and the INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

WHEREAS (A) the Recipient, 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) Part B of the Project will be carried out by the Development Learning Center (DLC) with the Recipient's assistance and, as part of such assistance, the Recipient will make part of the proceeds of the Grant provided for in Article II of this Agreement available to DLC, as set forth in this Agreement; and

WHEREAS the Association has agreed, on the basis of, *inter alia*, of the foregoing, to extend the Grant to the Recipient upon the terms and conditions set forth in this Agreement and in the Project Agreement of even date herewith between the Association and DLC (the Project Agreement);

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 (as amended through October 6, 1999), with the modifications set forth in Schedule 7 to this Agreement (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) "DLC" means the Development Learning Center, an educational legal entity established and operating pursuant to the Recipient's Education (Board of Governors) (Development Learning Centre) Order, promulgated by Legal Notice No. 104 in the Kenya State Gazette No. 60 of June 27, 2003, as amended by Legal Notice No. 116 in the Kenya State Gazette of July 18, 2003;
- (b) "DPM" means the Directorate of Personnel Management within the Recipient's Office of the President;

- (c) "Financial Monitoring Report" or "FMR" means each report prepared in accordance with Section 4.02 of this Agreement and with Section 4.02 of the Project Agreement;
- (d) "Fiscal Year" means the fiscal year of the Recipient, starting July 1 and ending June 30 each calendar year;
- (e) "Initial Deposit" means the deposit referred to in Section 3.04 (b) of this Agreement;
- (f) "Kenya Shillings" means the currency of the Recipient;
- (g) "KIA" means the Kenya Institute of Administration, an educational legal entity established and operating under the laws of the Recipient;
- (h) "Memorandum of Understanding" means the memorandum between KIA and DLC referred to in Section I(3) of the Schedule to the Project Agreement;
- (i) "Project Agreement" means the agreement of even date herewith between the Association and DLC, as the same may be amended from time to time, and such term includes all schedules and agreements supplemental to the Project Agreement;
- (j) "Project Coordination Unit" or "PCU" means the project coordination unit within DPM referred to in Section II of Schedule 4 to this Agreement;
- (k) "Project Implementation Plan" or "PIP" means the Plan referred to in Section I of Schedule 4;
- (l) "Project Preparation Advance" means the project preparation advance granted by the Association to the Recipient pursuant to the letter agreement signed on behalf of the Association on August 9, 2002, and on behalf of the Recipient on September 5, 2002;
- (m) "Project Year" means the first period of twelve (12) months following the Effective Date of the Project, and each subsequent period of twelve months thereafter until the completion of the Project;
- (n) "Special Account" means the account referred to in Section 2.02 (b) of this Agreement; and
- (o) "Subsidiary Grant Agreement" means the agreement to be entered into between the Recipient and DLC 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 Grant Agreement.

ARTICLE II

The Grant

Section 2.01. The Association agrees to make available to the Recipient, on the terms and conditions set forth or referred to in this Agreement, an amount in various currencies equivalent to two million Special Drawing Rights (SDR 2,000,000).

Section 2.02. (a) The amount of the Grant may be withdrawn from the Grant 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, works and services required for the Project and to be financed out of the proceeds of the Grant.

(b) The Recipient may, for the purposes of the Project, open and maintain in United States Dollars a special deposit account in a commercial bank acceptable to the Association, on terms and conditions satisfactory to the Association, including appropriate protection against set-off, seizure or attachment. Deposits into, and payments out of, the Special Account shall be made in accordance with the provisions of Schedule 5 to this Agreement.

(c) Promptly after the Effective Date, the Association shall, on behalf of the Recipient, withdraw from the Grant 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, 2008, or such later date as the Association shall establish. The Association shall promptly notify the Recipient of such later date.

Section 2.04. (a) The Recipient shall pay to the Association a commitment charge on the principal amount of the Grant 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 the date sixty days after the date of this Agreement (the accrual date) to the respective dates on which amounts shall be withdrawn by the Recipient from the Grant Account or cancelled; and (ii) at the rate set as of the June 30 immediately preceding the accrual date and 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 from the next date in that year specified in Section 2.05 of this Agreement.

(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 Recipient; and (iii) in the currency of the United States of America or in such other eligible currency or currencies as may from time to time be designated or selected pursuant to the provisions of Section 4.02 of the General Conditions.

Section 2.05. Commitment charges and service charges shall be payable semiannually on May 15 and November 15 in each year.

ARTICLE III

Execution of the Project

Section 3.01. (a) The Recipient 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 A and C of the Project, with due diligence and efficiency and in conformity with appropriate administrative, financial, engineering, environmental and technical practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for Parts A and C of the Project.

- (b) Without limitation upon the provisions of paragraph (a) of this Section and except as the Recipient and the Association shall otherwise agree, the Recipient shall carry out Parts A and C of the Project in accordance with the Implementation Program set forth in Schedule 4 to this Agreement.
- (c) Without any limitation upon any of its obligations under this Agreement, the Recipient shall: (i) cause DLC to: (A) carry out Part B of the Project with due diligence and efficiency and in conformity with appropriate administrative, financial, educational, engineering, environmental and technical practices, and (B) perform, in accordance with the provisions of the Project Agreement, all the obligations of DLC therein set forth; (ii) take and cause to be taken all action, including the provision of funds, facilities, services and other resources necessary or appropriate to enable DLC to perform such obligations; and (iii) not take or permit to be taken any action which would prevent or interfere with such performance.
- (d) For the purposes of carrying out Part B of the Project, the Recipient shall make available to DLC the proceeds of the Grant allocated from time to time to Categories 3(b), and 4(b) of the table set forth in paragraph 1 of Schedule 1 to this Agreement, under a Subsidiary Grant Agreement to be entered between the Recipient and DLC, under terms and conditions which shall have been approved by the Association.
- (e) The Recipient shall exercise its rights under the Subsidiary Grant Agreement in such manner as to protect the interests of the Recipient and the Association and to accomplish the objectives of the Project,

and, except as the Association shall otherwise agree, the Recipient shall not assign, amend, abrogate or waive the Subsidiary Grant Agreement or any provision thereof.

Section 3.02. 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 Grant shall be governed by the provisions of Schedule 3 to this Agreement.

Section 3.03. The Recipient and the Association hereby agree that the obligations set forth in Sections 9.03, 9.04, 9.05, 9.06, 9.07 and 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) shall be carried out by DLC in respect of Part B of the Project pursuant to Section 2.03 of the Project Agreement.

Section 3.04. Without limitation to its obligations under Section 3.01 of this Agreement, the Recipient shall:

(a) open and maintain in Kenya Shillings, until the completion of the Project, a Project Account in a commercial bank acceptable to the Association, under terms and conditions satisfactory to the Association;

(b) promptly thereafter make an Initial Deposit into the Project Account in an amount of 3,000,000 Kenya Shillings to finance the Recipient's initial contribution to the expenditures under the Project;

(c) thereafter, deposit into the Project Account such amounts as are estimated to be required at any given time for the ensuing three-month period and as shall be agreed upon between the Recipient and the Association; and

(d) ensure that the funds deposited into the Project Account in accordance with paragraphs (b) and (c) of this Section shall be used exclusively to finance the Recipient's contribution to the expenditures under the Project which are not otherwise financed from the proceeds of the Grant.

Section 3.05. For the purposes of Section 9.06 of the General Conditions and without limitation thereto, the Recipient, in conjunction with DLC, shall:

(a) prepare, on the basis of guidelines acceptable to the Association, and furnish to the Association not later than six (6) months before the Closing Date or such later date as may be agreed for this purpose between the Recipient and the Association, a plan for the future operation of the Project; and

(b) afford the Association a reasonable opportunity to exchange views with the Recipient on said plan.

ARTICLE IV

Financial and Other Covenants

Section 4.01. (a) The Recipient shall establish and maintain or cause to be established and maintained a financial management system, including records and accounts, and prepare financial statements in accordance with consistently applied accounting standards acceptable to the Association, adequate to reflect the operations, resources and expenditures related to Parts A and C of the Project.

(b) The Recipient shall:

- (i) have the financial statements referred to in paragraph (a) of this Section for each Fiscal Year (or other period agreed to by the Association), commencing with the Fiscal Year in which the first withdrawal under the Project Preparation Advance was made, audited, in accordance with consistently applied auditing standards acceptable to the Association, by independent auditors acceptable to the Association;
- (ii) furnish to the Association as soon as available, but in any case not later than six months after the end of each such year (or such other period agreed to by the Association): (A) certified copies of the financial statements referred to in paragraph (a) of this Section for such year (or other period agreed to by the Association) as so audited; and (B) an opinion on such statements by said auditors, in scope and detail satisfactory to the Association; and
- (iii) furnish to the Association such other information concerning such records and accounts, and the audit of such financial statements, and concerning said auditors, as the Association may from time to time reasonably request.

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

- (i) retain, until at least one year after the Association has received the audit report for, or covering, the Fiscal Year in which the last withdrawal from the Grant Account was made, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures;
- (ii) enable the Association's representatives to examine such records; and

- (iii) ensure that such statements of expenditure are included in the audit for each Fiscal Year (or other period agreed to by the Association), referred to in paragraph (b) of this Section.

Section 4.02. (a) Without limitation upon the Recipient's progress reporting obligations set out in Section III of Schedule 4 to this Agreement, the Recipient shall prepare and furnish to the Association a Financial Monitoring Report, in form and substance satisfactory to the Association, which:

- (i) sets forth sources and uses of funds for Parts A and C of the Project, both cumulatively and for the period covered by said report, showing separately funds provided under the Grant, and explains variances between the actual and planned uses of such funds;
 - (ii) describes physical progress in implementation of Parts A and C of the Project, both cumulatively and for the period covered by said report, and explains variances between the actual and planned implementation of Parts A and C of the Project; and
 - (iii) sets forth the status of procurement under Parts A and C of the Project, as at the end of the period covered by said report.
- (b) The first FMR shall be furnished to the Association not later than 45 days after the end of the first calendar quarter after the Effective Date, and shall cover the period from the incurrence of the first expenditure under the Project through the end of such calendar quarter; thereafter, each FMR shall be furnished to the Association not later than 45 days after each subsequent calendar quarter, and shall cover such calendar quarter.

ARTICLE V

Remedies of the Association

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

- (a) DLC shall have failed to perform any of its obligations under the Project Agreement;
- (b) the Recipient's Education (Board of Governors) (Development Learning Centre) Order providing for the establishment and operation of DLC, promulgated by Legal Notice No. 104 in the Kenya State Gazette No. 60 of June 27, 2003, as amended by Legal Notice No. 116 in the Kenya State Gazette of July 18, 2003, shall have been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of DLC to implement Part B of

the Project; and

(c) 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 DLC will be able to perform its respective obligations under the Project Agreement.

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 Grant Agreement has been executed on behalf of the Recipient and DLC; and

(b) the Project Account has been opened and the Initial Deposit has been deposited therein.

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 DLC and is legally binding upon DLC in accordance with its terms; and

(b) the Subsidiary Grant Agreement has been duly authorized or ratified by the Recipient and DLC and is legally binding upon the Recipient and DLC 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 Recipient; Addresses

Section 7.01. The Minister of the Recipient at the time responsible for finance is designated as representative of the Recipient 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 Recipient:

Ministry of Finance
P.O. Box 30007
Nairobi
Republic of Kenya

| | |
|--------------------|--------------------|
| Cable address: | Telex: |
| FINANCE Nairobi | 22921 MINFIN-KE |

For the Association:

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

| | | | |
|------|-----------------------------|--------------------------------|------------|
| | Cable address: | Telex: | Facsimile: |
| 6391 | INDEVAS Washington, D.C. | 248423 (MCI) or 64145 (MCI) | (202) 477- |

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

REPUBLIC OF KENYA

By /s/ David Mwiraria

Minister of Finance

ASSOCIATION

INTERNATIONAL DEVELOPMENT

By /s/ Makhtar Diop

Country Director

SCHEDULE 1

Withdrawal of the Proceeds of the Grant

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

| <u>Category</u> | <u>Amount of the Grant Allocated (Expressed in SDR Equivalent)</u> | <u>% of Expenditures to be Financed</u> |
|--|--|---|
| (1) Civil works under Part A of the Project | 354,000 | 100% of foreign expenditures and 90% of local expenditures |
| (2) Goods | 587,000 | 100% of foreign expenditures and 90% of local expenditures |
| (3) Consultants' services and training, including audits | | 100% for foreign consultants and local individual consultants |
| (a) under Parts A and C of the Project | 87,000 | 94% for local consulting firms |
| (b) under Part B of the Project | 305,000 | |
| (4) Operating costs | | |
| (a) under Part A and C of the Project | 31,000 | 80% |
| (b) under Part B of the Project | 340,000 | 0% in first Project Year; 80% in second Project Year; 60% in third Project Year; 40% in fourth Project Year; 20% thereafter |

| <u>Category</u> | <u>Amount of the Grant Allocated (Expressed in SDR Equivalent)</u> | <u>% of Expenditures to be Financed</u> |
|---|--|--|
| (5) Refunding of Amount due Project Preparation Advance | 111,000 | pursuant to Section 2.02 (c) of this Agreement |
| (6) Unallocated | 185,000 | |
| TOTAL | <u>2,000,000</u> | |

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 Recipient for goods or services supplied from the territory of any country other than that of the Recipient;

(b) the term “local expenditures” means expenditures in the currency of the Recipient or for goods or services supplied from the territory of the Recipient; and

(c) the term “operating costs” means the incremental expenses incurred on account of office supplies, administrative support, communication and utility services, including satellite bandwidth rent, travel and supervision costs, including vehicle operation and maintenance, special account banking charges, and salaries of DLC contractual support staff, but excluding salaries of officials of the Recipient’s civil service.

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; and

(b) expenditures under Categories 3 (b) and 4 (b), unless DLC has: (i) appointed the staff specified in Section II (2) of the Schedule to the Project Agreement, in accordance with the provisions of Section II of Schedule 3 to this Agreement; (ii) adopted the DLC Implementation Plan and the Business Plan referred to in Section I of the Schedule to the Project Agreement; (iii) established a financial management and accounting system satisfactory to the Association; (iv) furnished to the Association a procurement plan for carrying out Part B of the Project in the first Project Year; and (v) entered into the Memorandum of Understanding with KIA.

4. The Association may require withdrawals from the Grant Account to be made on the basis of statements of expenditure for expenditures for: (a) works under contracts costing less than \$100,000 equivalent each; (b) goods under contracts costing less than \$50,000 equivalent each; (c) services of consulting firms under contracts costing less than \$50,000 equivalent each; (d) services of individual consultants under contracts costing less than \$25,000 equivalent each; (e) training; and (f) operating costs; all under such terms and conditions as the Association shall specify by notice to the Recipient.

SCHEDULE 2

Description of the Project

The objective of the Project is to test the effectiveness and sustainability of a development learning center as part of a global knowledge-sharing network aimed at strengthening the capacity of the Recipient's public, private and civil society decision-makers and implementers to design, plan and manage social and economic development policies.

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

Part A: Construction and Equipment of DLC Facilities and Establishment of DLC

1. Construction of facilities for the establishment of DLC, including: (a) provision of a video-conference room with a 30-person capacity; (b) a computer room outfitted for 30 computer stations (with hardware, software and Internet hook-up); (c) a technical and administrative center, including a room for trainers and a conference room; and (d) mechanical outfitting such as installation and/or upgrading of electrical and telephone wiring.
2. Acquisition and installation of equipment for DLC, including: (a) a Very Small Aperture Terminal (VSAT); (b) a satellite communication center, video, telecommunications and microprocessor equipment; (c) office and classroom furniture; (d) assessing equipment for DLC's operations and security; (e) a light vehicle for the PCU; and (f) a light vehicle and a minivan for DLC.
3. Recruitment of DLC staff, including a Director, a training coordinator, an information technology officer, an accountant, and an administrative assistant, through the provision of technical advisory services.

Part B : Support to DLC's Operations

Support to DLC for: (a) strengthening its human, financial and operational management and business planning; (b) developing, marketing, sourcing and programming of its training services; and (c) monitoring and evaluating its activities; through the provision of technical advisory services and training.

Part C: Monitoring, Evaluation and Audit of Project Activities

Monitoring of DLC's activities and evaluation of the Project's achievements, and audit of Project activities; through the provision of technical advisory services and training.

* * *

The Project is expected to be completed by June 30, 2008.

SCHEDULE 3

Procurement and Consultants' Services

Section I. Procurement of Goods and Works

Part A: General

1. Goods and works shall be procured in accordance with the provisions of Section I of the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Bank in January 1995 and revised in January and August 1996, September 1997 and January 1999 (the Guidelines), and the following provisions of this Section.

Part B: International Competitive Bidding

1. Except as otherwise provided in Part C of this Section, goods and works shall be procured under contracts awarded in accordance with the provisions of Section II of the Guidelines and paragraph 5 of Appendix 1 thereto.

2. The following provision shall apply to goods and works to be procured under contracts awarded in accordance with the provisions of paragraph 1 of this Part B:

Preference for domestically manufactured goods and domestic contractors

The provisions of paragraphs 2.54 and 2.55 of the Guidelines and Appendix 2 thereto shall apply to goods manufactured in the territory of the Recipient and works to be carried out by domestic contractors.

Part C: Other Procurement Procedures

1. National Competitive Bidding

Goods estimated to cost \$100,000 equivalent or less per contract, and works estimated to cost \$550,000 equivalent or less per contract, may be procured under contracts awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines.

2. Shopping

Goods estimated to cost \$30,000 equivalent or less per contract may be procured under contracts awarded on the basis of shopping procedures in accordance with the provisions of paragraphs 3.5 and 3.6 of the Guidelines.

3. Procurement of Small Works

Works estimated to cost \$50,000 equivalent or less per contract may be procured under lump-sum, fixed-price contracts awarded on the basis of quotations obtained from three qualified domestic contractors invited in writing to bid. The invitation shall include a

detailed description of the works, including basic specifications, the required completion date, a basic form of agreement acceptable to the Association, and relevant drawings, where applicable. The award will be made to the contractors who offer the lowest price quotation for the required work, provided they demonstrate they have the experience and resources to complete the contract successfully.

Part D : Review by the Association of Procurement Decisions

1. Procurement Planning

Prior to the issuance of any invitations to bid for contracts, the proposed procurement plan for the Project shall be furnished to the Association for its review and approval, in accordance with the provisions of paragraph 1 of Appendix 1 to the Guidelines. Procurement of all goods and works shall be undertaken in accordance with such procurement plan as shall have been approved by the Association, and with the provisions of said paragraph 1.

2. Prior Review

With respect to a contract for goods estimated to cost the equivalent of \$50,000 or more and works estimated to cost the equivalent of \$100,000 or more, the procedures set forth in paragraphs 2 and 3 of Appendix 1 to the Guidelines shall apply.

3. Post Review

With respect to each contract not governed by paragraph 2 of this Part, the procedures set forth in paragraph 4 of Appendix 1 to the Guidelines shall apply.

Section II. Employment of Consultants

Part A: General

Consultants' services shall be procured in accordance with the provisions of Sections I and IV of the "Guidelines: Selection and Employment of Consultants by World Bank Borrowers" published by the Bank in January 1997 and revised in September 1997, January 1999 and May 2002 (the Consultant Guidelines), paragraph 1 of Appendix 1 thereto, Appendix 2 thereto and the following provisions of this Section.

Part B: Quality- and Cost-based Selection

1. Except as otherwise provided in Part C of this Section, consultants' services shall be procured under contracts awarded in accordance with the provisions of Section II of the Consultant Guidelines, and the provisions of paragraphs 3.13 through 3.18 thereof applicable to quality- and cost-based selection of consultants.

2. The following provisions shall apply to consultants' services to be procured under contracts awarded in accordance with the provisions of the preceding paragraph. The short

list of consultants for services estimated to cost less than \$50,000 equivalent per contract, may comprise entirely national consultants in accordance with the provisions of paragraph 2.7 and footnote 8 of the Consultant Guidelines.

Part C: Other Procedures for the Selection of Consultants

1. Selection based on Consultants' Qualifications

Services for carrying out of training and workshops estimated to cost less than \$50,000 per contract, may be procured under contracts awarded in accordance with the provisions of paragraphs 3.1 and 3.7 of the Consultant Guidelines.

2. Least-cost Selection

Services for financial audits and other repetitive assignments estimated to cost less than \$50,000 per contract may be procured under contracts awarded in accordance with the provisions of paragraphs 3.1 and 3.6 of the Consultant Guidelines.

3. Individual Consultants

Services for small assignments, studies, training, workshops and study tours that meet the requirements set forth in paragraph 5.1 of the Consultant Guidelines shall be procured under contracts awarded to individual consultants in accordance with the provisions of paragraphs 5.1 through 5.3 of the Consultant Guidelines.

4. Single Source Selection

Services estimated to cost \$30,000 equivalent or less per contract, may, with the Association's prior agreement, be procured in accordance with the provisions of paragraphs 3.8 through 3.11 of the Consultant Guidelines.

Part D: Review by the Association of the Selection of Consultants

1. Selection Planning

A plan for the selection of consultants, which shall include contract cost estimates and applicable selection criteria and procedures, shall be furnished to the Association for its review and approval prior to the issuance to consultants of any requests for proposals. Selection of all consultants' services shall be undertaken in accordance with such selection plan as shall have been approved by the Association.

2. Prior Review

(a) With respect to each contract for the employment of consulting firms to be selected on a single source basis, or estimated to cost the equivalent of \$50,000 or more, the

procedures set forth in paragraphs 2, 3 and 5 of Appendix 1 to the Consultant Guidelines shall apply.

(b) With respect to each contract for the employment of individual consultants to be selected on a single source basis, or estimated to cost the equivalent of \$25,000 or more, the report on the comparison of the qualifications and experience of candidates, the qualifications, experience, terms of reference and terms of employment of the consultants shall be furnished to the Association for its prior review and approval. The contract shall be awarded only after the said approval shall have been given. The provisions of paragraph 3 of Appendix 1 to the Consultant Guidelines shall also apply to such contracts.

(c) Amendments to consultants' contracts that are subject to prior review raising the contract value by more than 15 percent of the original amount of the contract shall be made, and the program containing names of candidates, training institutions, cost estimates, content, and duration for all contracts for training shall be awarded, only after prior review and approval of the Association.

3. Post Review

With respect to each contract not governed by paragraph 2 of this Part, the procedures set forth in paragraph 4 of Appendix 1 to the Consultant Guidelines shall apply.

SCHEDULE 4

Implementation Program

Section I. Implementation Arrangements

1. The Recipient shall: (a) prepare and furnish to the Association a Project Implementation Plan, in form and substance satisfactory to the Association; (b) carry out Parts A and C of the Project in accordance with the PIP; and (c) except as the Association shall otherwise agree, not amend, abrogate or waive any provision of the PIP which, in the opinion of the Association, may materially and adversely affect the implementation of the Project or the achievement of the objectives thereof.

2. Without limitation upon the provision of Paragraph 1 of this Section, the PIP shall include: (a) a Project implementation plan; (b) a Project monitoring and evaluation plan; (c) a Project procurement plan; (d) a Project financial management manual; and (e) such other administrative, financial, technical and organizational arrangements as shall be required for the Project.

Section II. Institutional Arrangements

1. The Recipient shall establish at DPM, and thereafter maintain, until the Project completion date, a Project Coordination Unit, in form and with functions, staffing and resources satisfactory to the Association.

2. Without limitation upon the provision of Paragraph 1 of this Section, the PCU shall be responsible for the day-to-day implementation, procurement, financial management and monitoring of Parts A and C of the Project, and for the overall implementation of the Project, and consist of the following staff with terms of reference, qualifications and experience satisfactory to the Association: (a) a Project Coordinator; (b) a procurement officer; and (c) an accountant.

Section III. Monitoring and Reporting Arrangements

1. The Recipient shall maintain policies and procedures adequate to enable it to monitor and evaluate on an ongoing basis, in accordance with the indicators set forth in the PIP and summarized in Schedule 6 to this Agreement, the carrying out of the Project and the achievement of the objectives thereof.

2. Progress Reports and Reviews

(a) The Recipient shall prepare, in conjunction with DLC, under terms of reference satisfactory to the Association, and furnish to the Association, annually beginning on or about the date twelve (12) months after the Effective Date, a report integrating the results of the monitoring and evaluation activities performed pursuant to paragraph 1 of this Section, on the progress achieved in the carrying out of the Project during the period preceding the date of said report, and a draft work program and related budget, including the

measures recommended to ensure the efficient carrying out of the Project and the achievement of the objectives thereof during the twelve months' period following such date.

(b) The Recipient shall review, jointly with DLC and the Association, the reports referred to in subparagraph (a) of this paragraph, on or about a date one month after the submission of the said reports and, thereafter, take all measures required to ensure the efficient completion of the Project and the achievement of the objectives thereof, based on the conclusions and recommendations of the said reports and the views of the Association on the reports.

3. Mid-term Review

(a) The Recipient shall carry out, jointly with DLC and the Association, on or about the date thirty (30) months after the Effective Date, a comprehensive mid-term review of the implementation of operations under the Project aimed at: (i) documenting progress toward Project objectives and sustainability of Project activities, notably the financing of recurrent maintenance costs; (ii) reviewing the performance of DLC under the Project; (iii) identifying and removing obstacles to Project implementation; and (iv) adjusting, in agreement with the Association, targets and corresponding programs to reflect progress achieved in the implementation of the Project as of the date of the review.

(b) In conjunction with DLC, the Recipient shall, not later than one month prior to the review referred to in the preceding subparagraph, furnish to the Association a mid-term report, in such detail as the Association shall reasonably request, on the implementation of the Project.

(c) Promptly following the mid-term review, the Recipient shall take, and shall cause DLC to take, any corrective action as shall be recommended by the Association to achieve the objectives of the Project.

SCHEDULE 5

Special Account

1. For the purposes of this Schedule:
 - (a) the term "eligible Categories" means Categories (1) through (4) set forth in the table in paragraph 1 of Schedule 1 to this Agreement;
 - (b) the term "eligible expenditures" means expenditures in respect of the reasonable cost of goods and services required for the Project and to be financed out of the proceeds of the Grant allocated from time to time to the eligible Categories in accordance with the provisions of Schedule 1 to this Agreement; and
 - (c) the term "Authorized Allocation" means an amount equivalent to US\$300,000 to be withdrawn from the Grant Account and deposited into the Special Account pursuant to paragraph 3(a) of this Schedule.
2. Payments out of the Special Account shall be made exclusively for eligible expenditures in accordance with the provisions of this Schedule.
3. After the Association has received evidence satisfactory to it that the Special Account has been duly opened, withdrawals of the Authorized Allocation and subsequent withdrawals to replenish the Special Account shall be made as follows:
 - (a) For withdrawals of the Authorized Allocation, the Recipient shall furnish to the Association a request or requests for deposit into the Special Account of an amount or amounts which do not exceed the aggregate amount of the Authorized Allocation. On the basis of such request or requests, the Association shall, on behalf of the Recipient, withdraw from the Grant Account and deposit into the Special Account such amount or amounts as the Recipient shall have requested.
 - (b)
 - (i) For replenishment of the Special Account, the Recipient shall furnish to the Association requests for deposits into the Special Account at such intervals as the Association shall specify.
 - (ii) Prior to or at the time of each such request, the Recipient shall furnish to the Association the documents and other evidence required pursuant to paragraph 4 of this Schedule for the payment or payments in respect of which replenishment is requested. On the basis of each such request, the Association shall, on behalf of the Recipient, withdraw from the Grant Account and deposit into the Special Account such amount as the Recipient shall have requested and as shall have been shown by said documents and other evidence to have been paid out of the Special Account for eligible expenditures. All such deposits shall be withdrawn by the Association from the Grant Account under the respective eligible

Categories, and in the respective equivalent amounts, as shall have been justified by said documents and other evidence.

4. For each payment made by the Recipient out of the Special Account, the Recipient shall, at such time as the Association shall reasonably request, furnish to the Association such documents and other evidence showing that such payment was made exclusively for eligible expenditures.

5. Notwithstanding the provisions of paragraph 3 of this Schedule, the Association shall not be required to make further deposits into the Special Account:

(a) if, at any time, the Association shall have determined that all further withdrawals should be made by the Recipient directly from the Grant Account in accordance with the provisions of Article V of the General Conditions and paragraph (a) of Section 2.02 of this Agreement;

(b) if the Recipient shall have failed to furnish to the Association, within the period of time specified in Section 4.01 (b) (ii) of this Agreement, any of the audit reports required to be furnished to the Association pursuant to said Section in respect of the audit of the records and accounts for the Special Account;

(c) if, at any time, the Association shall have notified the Recipient of its intention to suspend in whole or in part the right of the Recipient to make withdrawals from the Grant Account pursuant to the provisions of Section 6.02 of the General Conditions; or

(d) once the total unwithdrawn amount of the Grant Account allocated to the eligible Categories, minus the total amount of all outstanding special commitments entered into by the Association pursuant to Section 5.02 of the General Conditions with respect to the Project, shall equal the equivalent of twice the amount of the Authorized Allocation.

Thereafter, withdrawal from the Grant Account of the remaining unwithdrawn amount of the Grant allocated to the eligible Categories shall follow such procedures as the Association shall specify by notice to the Recipient. Such further withdrawals shall be made only after and to the extent that the Association shall have been satisfied that all such amounts remaining on deposit in the Special Account and as of the date of such notice will be utilized in making payments for eligible expenditures.

6. (a) If the Association shall have determined at any time that any payment out of the Special Account: (i) was made for an expenditure or in an amount not eligible pursuant to paragraph 2 of this Schedule; or (ii) was not justified by the evidence furnished to the Association, the Recipient shall, promptly upon notice from the Association: (A) provide such additional evidence as the Association may request; or (B) deposit into the Special Account (or, if the Association shall so request, refund to the Association) an amount equal to the amount of such payment or the portion thereof not so eligible or justified. Unless the Association shall otherwise agree, no further deposit by the Association into the Special

Account shall be made until the Recipient has provided such evidence or made such deposit or refund, as the case may be.

(b) If the Association shall have determined at any time that any amount outstanding in the Special Account will not be required to cover further payments for eligible expenditures, the Recipient shall, promptly upon notice from the Association, refund to the Association such outstanding amount.

(c) The Recipient may, upon notice to the Association, refund to the Association all or any portion of the funds on deposit in the Special Account.

(d) Refunds to the Association made pursuant to paragraphs 6 (a), (b), and (c) of this Schedule shall be credited to the Grant Account for subsequent withdrawal or for cancellation in accordance with the relevant provisions of this Agreement, including the General Conditions.

SCHEDULE 6

Performance Indicators

1. Within 12 months of the Effectiveness Date DLC is fully constructed and equipped.
 2. At least 40% of the sampled trainees of DLC in DLC's first operational year, and 70% in the third operational year, improve their knowledge and skills as judged by the pre- and post-training evaluations.
3. Cost recovery of DLC is at least 20% of the operating costs for DLC's first operational year, 40% for the second operational year, 60% for the third operational year, 80% for the fourth operational year, and DLC is self-sustaining by the completion of the Project.
4. Utilization rates are at least: 15% for DLC's first operational year, 25% for the second operational year, 40% for the third operational year, 50% for the fourth operational year, and 65% by the completion of the Project.
5. Sixty training sessions have been held during DLC's first operational year, and 120 such sessions in each subsequent operational year.
6. DLC's training program covers at least, in DLC's first operational year - 20%, in the second operational year - 30%, in the third operational year - 40%, in the fourth operational year - 50%, and by the completion of the Project - 70%, of the training needs identified in the annual market studies conducted under the Project.
7. The monitoring and evaluation activities are implemented in the manner and timing specified in the Monitoring and Evaluation Plan.

SCHEDULE 7

Modifications to the General Conditions

For the purpose of this Agreement, the provisions of the General Conditions are modified as follows:

1. Sections 3.02, 3.03, 3.04(a), 3.04(b), 3.05, 6.05, Article VII, are deleted in their entirety.

2. Wherever used in the General Conditions, the following terms are modified to read as follows:

(a) The term “Borrower” is modified to read “Recipient”.

(b) The term “Credit” is modified to read “Grant”.

(c) The term “credit” is modified to read “grant”; except that where used in Sections 6.02(a)(ii) and 6.02(c)(i), as modified below, the term “credit” shall continue to read “credit”.

(d) The term “Credit Account” is modified to read “Grant Account”.

(e) The term “Development Credit Agreement” is modified to read “Development Grant Agreement”.

3. Article IV is modified as follows:

(a) Section 4.02(a) and the heading of Section 4.02 are modified to read as follows:

“Section 4.02. Currencies in which Commitment Charges are Payable

(a) The Recipient shall pay the commitment charge on the Grant in the currency specified in the Development Grant Agreement or in such other eligible currency or currencies as may from time to time be designated or selected pursuant to paragraph (c) or (e) of this Section.”

(b) Wherever used in Section 4.02(c) and (e) of the General Conditions the words “principal and service charges” are modified to read “commitment charge”.

(c) Section 4.03 and its heading are modified to read as follows:

“Section 4.03. Amount of the Grant

The amount of the Grant withdrawn from time to time shall be the equivalent in terms of SDR (determined as of the date or respective dates of withdrawal from the Grant

Account) of the value of the currency or currencies so withdrawn.”

4. Section 6.02 is modified as follows:
 - (a) The phrase “any other development credit agreement” in Section 6.02 (a) (ii) is modified to read: “any other development grant agreement or any development credit agreement or development financing agreement”.
 - (b) The phrase “any development credit agreement” in Section 6.02 (c) (i) is modified to read: “any development grant agreement, development credit agreement or development financing agreement”.
5. The words “The principal of, and any other charges on” in paragraph (a) of Section 8.01 are modified to read “The commitment charge on”.
6. Paragraph (c) of Section 9.06 is modified to read as follows:

“(c) Not later than six months before the Closing Date or such later date as may be agreed for this purpose between the Recipient and the Association, the Recipient shall prepare and furnish to the Association a report, of such scope and in such detail as the Association shall reasonably request, on the execution and initial operation of the Project, its cost and the benefits derived and to be derived from it, the performance by the Recipient and the Association of their respective obligations under the Development Grant Agreement and the accomplishment of the purposes of the Grant.”
7. Section 12.05 and its heading are modified to read as follows:

“Section 12.05. *Termination of Development Grant Agreement.*

The obligations of the Recipient under the Development Grant Agreement shall terminate on the date 20 years after the date of the Development Grant Agreement.”