

CONFORMED COPY

CREDIT NUMBER 2309 KE

(Universities Investment Project)

between

REPUBLIC OF KENYA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated December 11, 1991

CREDIT NUMBER 2309 KE

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated December 11, 1991, between REPUBLIC OF KENYA (the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

WHEREAS 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; 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;

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 have the respective meanings therein set forth and the following additional terms have the following meanings:

- (a) "MOE" means the Borrower's Ministry of Education;
- (b) "CHE" means the Commission for Higher Education established pursuant to the Universities Act, Chapter 210B of the Borrower's laws;
- (c) "PIU" means the Project Implementation Unit in MOE;
- (d) "Public Universities" means the Borrower's four universities and two constituent colleges, namely, the University of Nairobi, Moi University, Kenyatta University, Egerton University, Jomo Kenyatta University College of Agriculture and Technology, and Maseno University College;
- (e) "Task Group" means the Task Group established under the Project within CHE for the coordination and budgeting of the Public Universities and to supervise implementation of the Project;
- (f) "Student Loan Scheme" means the Student Loan Scheme established by the Borrower for university students;
- (g) "Fiscal Year" means the Borrower's fiscal year commencing July 1 and ending June 30;
- (h) "KSh" means Kenya Shilling, the Borrower's currency;
- (i) "Project Preparation Advance" means the project preparation advance granted by the Association to the Borrower pursuant to a letter dated July 29, 1991, from the Association and confirmed by the Borrower on August 14, 1991; and
- (j) "Special Account" means the account referred to in Section 2.02 (b) of this Agreement.

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 forty-one million three hundred thousand Special Drawing Rights (SDR 41,300,000).

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 described in Schedule 2 to this Agreement and to be financed out of the proceeds of the Credit.

(b) The Borrower shall, for the purposes of the Project, open and maintain in dollars a special deposit account in the Central Bank 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 6 to this Agreement.

(c) 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, 1996, 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 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 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 from the next payment date in that year specified in Section 2.06 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 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 percent (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 May 1 and November 1 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 May 1 and November 1 commencing May 1, 2002, and ending November 1, 2031. Each installment to and including the installment payable on November 1, 2011, shall be one percent (1%) of such principal amount, and each installment thereafter shall be two percent (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 the Project with due diligence and efficiency and in conformity with appropriate financial, administrative and higher education practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the Project.

(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 the Project in accordance with the Implementation Program set forth in Schedule 4 to this Agreement.

Section 3.02. Except as the Association shall otherwise agree, procurement of the goods 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 3.03. The Borrower shall limit undergraduate admissions at the Public Universities to 10,300 in 1992, 10,610 in 1993, 10,930 in 1994, 11,260 in 1995 and 11,600 in 1996.

Section 3.04. The Borrower shall: (a) through 1993, cap student loans at KSh 21,500 per annum per student and at a level satisfactory to the Association, during 1994 through 1996; (b) eliminate the personal expense element from the student loan program by 1993; (c) until completion of the Project, maintain a direct student charge of at least KSh 6,000 per annum; and (d) operate a bursary scheme for needy students not to exceed 20% of student enrollment.

Section 3.05. The Borrower shall: (a) by June 30, 1992, furnish to the Association for its review and comments a proposal for restructuring CHE with effect from January 1993; and (b) by January 1, 1993, have commenced implementation of said proposal, taking the Association's comments into account.

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 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 paragraph (a) of this Section including those for the Special Account 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 six months after the end of each such year, a certified copy of the report of such audit by said audi-

tors, 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 report for the fiscal year in which the last withdrawal from the Credit Account or payment out of the Special 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.

Section 4.02. The Borrower shall from July 1, 1994, fully fund the operating budget of CHE, at a level satisfactory to the Association.

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) the Universities Act shall have been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of CHE to perform any of its obligations under the Project; and
- (b) the Borrower or any other authority having jurisdiction shall have taken any action for the dissolution or disestablishment of CHE or for the suspension of the operations.

Section 5.02. Pursuant to Section 7.01 (d) of the General Conditions, the following additional event is specified, namely, that any event specified in paragraphs (a) and (b) 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 Borrower has furnished to the Association evidence, satisfactory to the Association, that in academic year 1991/92 it

has (i) collected the direct charge of KSh 6,000 per student, (ii) operated a bursary scheme for needy students, not to exceed 20% of student enrollment, and (iii) capped student loans at KSh 21,500 per student with no more than KSh 5,000 available for personal expenses;

(b) the Borrower has (i) commenced implementation of arrangements satisfactory to the Association concerning the staffing, accommodation, work program and budget of the Task Group referred to in paragraph 1 of Schedule 4 to this Agreement, and (ii) appointed the Deputy Coordinator and the Liaison Officers at the Public Universities referred to in paragraph 1 of Schedule 4 to this Agreement, all with qualifications and experience satisfactory to the Association; and

(c) the Borrower has furnished to the Association, a work program, action plan and implementation schedule for the Project for 1991/92 including a staff development and related training program.

Section 6.02. 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

Representatives 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

For the Association:

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

Cable address:

INDEVAS
Washington, D.C.

Telex:

248423 (RCA)
82987 (FTCC)
64145 (WUI) or
197688 (TRT)

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) Equipment, library supplies and vehicles:		100% of foreign expenditures, 100% of local expenditures (ex-factory cost) and 80% of local expenditures for other items procured locally
(a) for Parts A.1 through 3 of the Project	800,000	
(b) for Part A.4 of the Project	600,000	
(c) for Part B of the Project:		
(i) the first phase	14,300,000	
(ii) the second phase	8,300,000	
(iii) the third phase	5,500,000	
Category	Amount of the Credit Allocated (Expressed in SDR Equivalent)	% of Expenditures to be Financed
(2) Consultants services, studies and training:		100%
(a) for Parts A.1 through 3 of the Project	1,700,000	
(b) for Part A.4 of the Project	500,000	

(c) for Part B of the Project:		
(i) the first phase	1,400,000	
(ii) the second phase	1,900,000	
(iii) the third phase	1,300,000	
(3) CHE incremental operating costs	500,000	100% until June, 1994
(4) PIU incremental operating costs	400,000	60%
(5) Refunding of Project Preparation Advance	300,000	Amounts due pursuant to Section 2.02 (c) of this Agreement
(6) Unallocated	3,800,000	
TOTAL	41,300,000	=====

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;

(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;

(c) "CHE Incremental Operating Costs" means the costs incurred by CHE related to the implementation of the Project, including staff, operation and maintenance of vehicles and office equipment, and staff travel; and

(d) the term "PIU Incremental Operating Costs" means the incremental costs incurred by the PIU related to the implementation of the Project, including the operation and maintenance of vehicles, office equipment, and staff travel and consultant services.

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; (b) payments made for expenditures under Categories (1) (b) and (2) (b) until the Borrower has commenced implementation of an action plan acceptable to the Association for reforming the Student Loan Scheme; (c) payments made for expenditures under Categories (1) (c) (ii) and (2) (c) (ii) until the Association has been furnished with evidence that the subprojects were appraised according to the criteria set out in Schedule 5 to this Agreement and in the light of experience gained during implementation of the first phase of Part B of the Project; and (d) payments made for expenditures under Categories (1) (c) (iii) and (2) (c) (iii) until the Association has been furnished with evidence that the subprojects were appraised according to the criteria set out in Schedule 5 to this Agreement and in the light of experience gained during implementation of the previous phases of Part B of the Project.

SCHEDULE 2

Description of the Project

The objectives of the Project are to support the Borrower's education sector adjustment program as it pertains to the universities by: (i) rationalizing and strengthening the institutional framework for higher education in both the public and private sectors; (ii) limiting the growth of the Borrower's budgetary resources devoted to the Public Universities by promoting cost sharing and improved investment planning; and (iii) improving the quality of teaching and research at the Public Universities.

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: Institutional Strengthening

1. Strengthening CHE to enable it to undertake the task of planning, programming and budgeting for Public University development.
2. Carrying out studies including:
 - (a) a graduate labor market study;
 - (b) a study of the future development of the private university sector; and
 - (c) a socio-economic study of access to the universities and of subsequent performance, particularly in respect of equity and gender issues.
3. Carrying out selected applied research projects relevant to the Borrower's economic development.
4. Reforming the Student Loan Scheme.

Part B: Public Universities

Carrying out at the Public Universities of sub-projects in three phases, involving: (1) institutional development, including the establishment of management information systems; (2) staff development in key areas for academic, technician, administrative and service staff; and (3) the acquisition of teaching and related equipment including computers, laboratory and workshop equipment, books and journals, telephone systems and vehicles.

* * *

The Project is expected to be completed by June 30, 1996.

SCHEDULE 3

Procurement and Consultants' Services

Section I. Procurement of Goods

Part A: International Competitive Bidding

1. Except as provided in Part C hereof, goods 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 goods shall be grouped into bid packages estimated to cost the equivalent of \$100,000 or more.

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

1. Items or groups of items for the library, up to an aggregate amount equivalent to \$1,000,000, may be procured under contracts awarded through limited international bidding procedures on the basis of evaluation and comparison of bids obtained from at least three qualified suppliers eligible under the Guidelines and in accordance with procedures set forth in Sections I and II of the Guidelines (excluding paragraphs 2.8, 2.9, 2.55, 2.56 thereof).
2. Items or groups of items for equipment estimated to cost the equivalent of \$100,000 or less per contract, up to an aggregate amount equivalent to \$900,000, may be procured under contracts awarded on the basis of competitive bidding, advertised locally, in accordance with procedures satisfactory to the Association.
3. Items or groups of items for equipment and materials estimated to cost the equivalent of \$25,000 or less per contract, up to an aggregate amount equivalent to \$100,000 may be procured under contracts awarded on the basis of comparison of price quotations obtained from at least three suppliers eligible under the Guidelines, in accordance with procedures acceptable to the Association.
4. Contracts for library books and journals may be awarded after direct negotiations with publishers, in accordance with procedures acceptable 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 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. Where payments for such contract are to be made out of the Special Account, such procedures shall be modified to ensure that the two conformed copies of the contract required to be furnished to the Association pursuant to said paragraph 2 (d) shall be furnished to the Association prior to the making of the first payment out of the Special Account in respect of such contract.
 - (b) With respect to each contract not governed by the preceding paragraph, the procedures set forth in paragraphs 3 and 4 of Appendix 1 to the Guidelines shall apply. Where payments for such contract are to be made out of the Special Account, such procedures shall be modified to ensure that the two conformed copies of the contract together with the other information required to be furnished to the Association pursuant to said paragraph 3 shall be furnished to the Association as part of the evidence to be furnished pursuant to paragraph 4 of Schedule 6 to this Agreement.
 - (c) The provisions of the preceding subparagraph (b) shall not apply to contracts on account of which withdrawals from the Credit Account are to be made on the basis of statements of expenditure.

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 in carrying out the Project, the Borrower 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

1. The Project shall be implemented by CHE, for this purpose the Borrower shall maintain within CHE until CHE has been restructured, a Task Group. The Task Group shall be headed by a fulltime Coordinator with experience and qualifications acceptable to the Association, to be responsible for the implementation of the Project. The Coordinator shall report to the Permanent Secretary of MOE. The Borrower shall also appoint a Deputy Coordinator within CHE and six Liaison Officers for the Public Universities. The Borrower shall also establish four subgroups under the Task Group for the following purposes:

- (a) review of legal and organizational arrangements relating to CHE and the Public Universities prior to the restructuring of CHE;
- (b) planning, programming and budgeting of the universities;
- (c) review of the long-term development of the Student Loan Scheme; and
- (d) implementation of the Project.

2. The Borrower shall by March 1, 1993, furnish to the Association for its review and comments, a draft Public Universities development plan for 1993 through 1999.

3. The Borrower shall by March 1 in each year furnish to the Association for its review and comments proposals for the following Fiscal Year, as follows:

- (a) a Project work program, action plan and implementation schedule, including a staff development and related training program;
- (b) a work program and a budget (including staffing) for CHE (initially including the Task Group);
- (c) commencing in 1993, CHE's draft recommendations on university admissions and budgets; and
- (d) a work program and a budget (including staffing) for the body responsible for the Student Loan Scheme.

4. The Borrower shall, commencing August 1992, furnish to the Association by February 1 and August 1 in each year, progress reports as follows:

- (a) in February on Project activities within the preceding July through December period; and
- (b) in August on
 - (i) Project activities during the preceding January through June,
 - (ii) CHE's activities during the previous financial year,
 - (iii) the activities of the body responsible for the Student Loan Scheme during the previous financial year, and
 - (iv) the use of the applied research funds during the previous financial year.

5. The Borrower shall ensure that the studies under Part A.2 of the Project are carried out in accordance with a timetable satisfactory to the Association and that each study is submitted to the Association for its review and comments within three months of its completion.

6. (a) The Borrower shall submit to the Association for its approval the first three applied research proposals under Part A.3 of the Project, satisfying the criteria set forth in paragraph (b) below, which are accepted by the Task Group together with the experts' evaluation and the Task Group's assessments.

(b) Applied research proposals shall satisfy the following criteria:

- (i) the topic and planned output shall be relevant to the Borrower's economic development;
- (ii) the university has the necessary staff and accommodation;
- (iii) the related basic research has been completed;
- (iv) funding shall not exceed \$200,000 per project;
- (v) economic viability of projects with potential for revenue earning;
- (vi) links with industry; and
- (v) actual or potential links with other institutions.

7. The Sub-projects under Part B of the Project shall be carried out in three phases, each lasting about eighteen months. The lessons gained during implementation shall be incorporated in the preparation of the subsequent phases. The Sub-projects shall comprise both university-wide facilities and specific academic discipline areas. Each Sub-project shall be prepared in accordance with the criteria specified in Schedule 5 to this Agreement.

8. The Borrower shall carry out with the Association two reviews of the Project, in September 1992 and 1994 respectively. The first such review shall examine the proposals for restructuring CHE, progress in reforming the Student Loan Scheme, and the preparation of Phase II of Part B of the Project. The second review shall review overall progress in implementation of the Project and shall include proposals for possible reshaping of the Project prior to implementation of Phase III of Part B of the Project.

SCHEDULE 5

Criteria for the selection of Subprojects under Part B of the Project

1. Each subproject must first satisfy all of the following requirements that:

- (a) it cannot be funded from other sources;
- (b) it conforms with the institutional goals and priorities, principally the objective of enhancing the disciplines for which each Public University is the designated national center of excellence;
- (c) the need for the subproject is urgent; and
- (d) the subproject does not require civil works, including buildings services and facilities.

2. The appraisal and selection, and later the monitoring, of the

subprojects which meet the abovementioned requirements, shall be carried out on the basis of the following five criteria and operational indicators:

(a) Criterion 1: Capacity to absorb and implement the proposed Subproject

The institution's capacity to implement the proposed subproject shall be measured in terms of the current availability of the following:

- (A) Space
 - (i) teaching,
 - (ii) laboratories and workshops, and
 - (iii) other general and specialized.
- (B) Supplies and Services
 - (i) water,
 - (ii) gas,
 - (iii) electricity,
 - (iv) drainage, and
 - (v) equipment specific.
- (C) Personnel
 - (i) academic, and
 - (ii) technical support.
- (D) Recurrent Costs
 - (i) finance (eg. external maintenance contract), and
 - (ii) consumables.

(b) Criterion 2: Contribution to improved links with the socioeconomic environment

- (A) Relevance to labor market
 - (i) labor market surveys,
 - (ii) job vacancies,
 - (iii) graduate tracer studies, and
 - (iv) institutional advisory bodies.
- (B) Collaborative links
 - (i) mechanisms for developing links, and
 - (ii) type of link - contracts, training and graduate placement, curriculum design and delivery.

(c) Criterion 3. Contribution to improvements in the Quality of Teaching and Learning

- (A) Undergraduate courses
 - (i) directly related to science and technology areas,
 - (ii) curriculum re-design for the Kenya Certificate of Secondary Education intake,
 - (iii) staff development in key discipline areas identified in subproject - discipline and pedagogical

- (iv) oriented, increase in practical work,
 - (v) improvements in internal efficiency e.g. laboratory usage, student - staff ratio, and
 - (vi) creation of new course programs related to market demand.
 - (B) Postgraduate courses
 - (i) expected activities related to undergraduate teaching, and
 - (ii) increase in applicable research.
 - (C) Central facilities
 - enhancement of libraries, teaching technology and computer facilities.
 - (D) Collaboration with the world of work
 - (i) curriculum design and development,
 - (ii) joint student projects, and
 - (iii) special lectures and seminars.
- (d) Criterion 4: Contribution to improvement in institutional development
 - (A) Financial management
 - (i) planned skill improvement,
 - (ii) proposed equipment enhancement,
 - (iii) improved planning and policy, and
 - (iv) increased capacity to attract outside resources.
 - (B) Administrative management
 - (i) planned skill improvement,
 - (ii) proposed equipment enhancement,
 - (iii) improved systems for personnel, facilities and students, and
 - (iv) improved skills for procurement and personnel management.
- (e) Criterion 5: Contribution to improvements in maintenance and repair
 - (A) Schedule availability
 - (i) maintenance programs,
 - (ii) repair programs,

- (iii) and spare part requirement list.
- (B) Skills training provided in
 - (i) equipment management, and
 - (ii) equipment maintenance and repair.
- (C) Equipment usage
 - (i) reduction in down time,
 - (ii) reduction in non-functioning equipment, and
 - (iii) repair of non-functioning equipment.

SCHEDULE 6

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 Credit 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 \$4,000,000 to be withdrawn from the Credit 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 Borrower shall furnish to the Association a request or requests for a deposit or deposits 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 Borrower, withdraw from the Credit Account and deposit into the Special Account such amount or amounts as the Borrower shall have requested.

(b) (i) For replenishment of the Special Account, the Borrower 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 Borrower 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 Borrower, withdraw from the Credit Account and deposit into the Special Account such amount as the Borrower 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 Credit 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 Borrower out of the Special Account, the Borrower 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 Borrower directly from the Credit Account in accordance with the provisions of Article V of the General Conditions and paragraph (a) of Section 2.02 of this Agreement; or

(b) once the total unwithdrawn amount of the Credit allocated to the eligible Categories, less the amount of any outstanding special commitment 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 Credit Account of the remaining unwithdrawn amount of the Credit allocated to the eligible Categories shall follow such procedures as the Association shall specify by notice to the Borrower. 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 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 Borrower 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 Borrower 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 Borrower shall, promptly upon notice from the Association, refund to the Association such outstanding amount.

(c) The Borrower 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 paragraph 6 (a), (b) and (c) of this Schedule shall be credited to the Credit Account for subsequent withdrawal or for cancellation in accordance with the relevant provisions of this Agreement, including the General Conditions.

