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**TF NUMBER 056045**  
**LOAN NUMBER 4820-CHA**

# **DFID TRUST FUND GRANT AGREEMENT**

**(Economic Reform Implementation Project)**

**between**

**PEOPLE'S REPUBLIC OF CHINA**

**and**

**INTERNATIONAL BANK FOR RECONSTRUCTION  
AND DEVELOPMENT**  
**acting as Administrator of Grant Funds**  
**provided by the Government of United Kingdom of Great Britain**  
**and Northern Ireland through the**  
**Department for International Development**

**Dated June 21, 2006**

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**TF NUMBER 056045**  
**LOAN NUMBER 4820-CHA**

**DFID TRUST FUND GRANT AGREEMENT**

Agreement dated June 21, 2006, between PEOPLE'S REPUBLIC OF CHINA ("Recipient") and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank) acting as administrator (the Administrator) of grant funds provided by the United Kingdom of Great Britain and Northern Ireland through the Department for International Development ("DFID").

WHEREAS (A) pursuant to a Loan Agreement of even date herewith between the Recipient and the Bank (the Loan Agreement), for the financing of the Economic Reform Implementation Project (the Project), the Bank has agreed to provide to the Recipient a Loan in an amount equal to twenty million dollars (\$20,000,000) (the Loan) on the terms and conditions set forth in the Loan Agreement, and the Recipient has declared its commitment to the objectives of the Project and has agreed to carry out the Project in accordance with the terms of the Loan Agreement;

(B) pursuant to a Memorandum of Understanding dated May 5, 2006 between the United Kingdom of Great Britain and Northern Ireland, through DFID, and the Bank (the Memorandum of Understanding), DFID has agreed to make available an aggregate amount of five million seven hundred ten thousand British Pounds Sterling (£5,710,000) (the DFID Grant), to assist the Recipient in financing part of the costs of carrying out the Project, and the Bank has agreed to administer on behalf of DFID, the DFID Grant under the terms and conditions of this Agreement; and

NOW THEREFORE the Recipient and the Administrator hereby agree as follows:

**ARTICLE I – GENERAL CONDITIONS; DEFINITIONS**

1.01. (a) The following provisions of the General Conditions (as defined in the Appendix to this Agreement) with the modifications set forth in paragraph (b) of this Section (the General Conditions) constitute an integral part of this Agreement:

- (i) Article I
- (ii) Article II only Sections 2.01 through 2.06 inclusive and Section 2.08
- (iii) Article V only Sections 5.01 and 5.03 through 5.09 inclusive
- (iv) Article VII only Sections 7.01, 7.02(b), 7.02(c), 7.02(d), 7.02(e), 7.02(f), 7.02(h), 7.02(i), 7.02(k), 7.03, 7.04 and 7.09
- (v) Article VIII only Section 8.01, 8.03 and 8.04
- (vi) Article IX except Section 9.05
- (vii) Article X
- (viii) Appendix Definitions under paragraphs 1,3,4,5,6,10, 11,12,13,14,30,31,32, 33,38,58,59,60,61,62,64,67,70,72,76, 83 and 86.

(b) The General Conditions shall be modified as follows:

- (i) the term “Bank”, wherever used in the General Conditions, means the Bank acting as administrator (the Administrator) of grant funds provided by the United Kingdom of Great Britain and Northern Ireland through the Department for International Development (“DFID”), except that in Section 7.02, the term “Bank” shall also include the Bank acting in its own capacity;
- (ii) the term “Borrower”, wherever used in the General Conditions, means the Recipient;
- (iii) the term “Loan Agreement”, wherever used in the General Conditions, means this Agreement;
- (iv) the term “Loan” and “loan”, wherever used in the General Conditions, means the DFID Grant;
- (v) the term “Loan Account”, wherever used in the General Conditions, means the DFID Trust Fund Grant Account;

Provided, however, that each reference in the General Conditions to the Project Implementation Entity shall be deemed as a reference to the Subproject Implementing Agency; provided further, that each reference in the General Conditions to the Project Agreement shall be deemed as not being applicable.

- 1.02. Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the General Conditions or in the Appendix to this Agreement.

## **ARTICLE II – DFID GRANT**

- 2.01. The Administrator agrees to make available to the Recipient on a grant basis an amount equal to five million five hundred ninety five thousand and eight hundred British Pounds Sterling (£5,595,800), to assist in financing the project described in Schedule 1 to this Agreement (“Project”). The obligation of the Administrator to make available to the Recipient the DFID Grant or any part thereof is contingent upon DFID providing the Administrator with the grant funds in a timely manner as set forth in the DFID MOU.
- 2.02. The Recipient may withdraw the proceeds of the DFID Grant in accordance with Section IV of Schedule 2 to this Agreement.

## **ARTICLE III – PROJECT**

- 3.01. The Recipient declares its commitment to the objectives of the Project. To this end, the Recipient shall carry out the Project through MOF and the Subproject Implementing Agencies in accordance with the provisions of Article V, Sections 5.01 and 5.03 through 5.09 inclusive of the General Conditions.
- 3.02. Without limitation upon the provisions of Section 3.01 of this Agreement, and except as the Recipient and the Administrator shall otherwise agree, the Recipient shall ensure that the Project is carried out in accordance with the provisions of Schedule 2 to this Agreement.

## **ARTICLE IV – REMEDIES OF THE ADMINISTRATOR**

- 4.01. The Additional Events of Suspension pursuant to Section 7.02(k) of the General Conditions consist of the following:
- (a) Any Subproject Implementing Agency shall have failed to implement its related Subproject.
  - (b) The right of the Recipient to withdraw the proceeds of the Loan shall have been suspended, cancelled or terminated in whole or in part, pursuant to the terms of the Loan Agreement.

## **ARTICLE V – EFFECTIVENESS, TERMINATION**

- 5.01. The Additional Condition of Effectiveness consists of the following:
- (a) The Loan Agreement has been executed and delivered and all conditions precedent to its effectiveness (other than the effectiveness of the DFID Grant Agreement) have been fulfilled.
- 5.02. The Effectiveness Deadline is the date ninety (90) days after the date of this Agreement.
- 5.03. This Agreement shall continue in effect until the DFID Grant has been fully disbursed and the parties to this Agreement have fulfilled their obligations hereunder.

## **ARTICLE VI – REPRESENTATIVE; ADDRESSES**

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

Ministry of Finance  
Sanlihe  
Beijing 100820

People's Republic of China

Facsimile:

(86-10) 68 55 11 25

6.03. The Bank's and Administrator's Address is:

International Bank for Reconstruction and Development  
1818 H Street, N.W.  
Washington, D.C. 20433  
United States of America

Cable address:	Telex:	Facsimile:
INTBAFRAD Washington, D.C.	248423(MCI) or 64145(MCI)	1-202-477-6391

AGREED at Beijing, People's Republic of China, as of the day and year first above written.

PEOPLE'S REPUBLIC OF CHINA

By /s/ Zhu Guangyao

Authorized Representative

INTERNATIONAL BANK FOR  
RECONSTRUCTION AND DEVELOPMENT  
acting as Administrator of Grant Funds provided by  
the Government of United Kingdom of Great  
Britain and Northern Ireland through the  
Department for International Development

By /s/ David Dollar

Authorized Representative

## **SCHEDULE 1**

### **Project Description**

The objective of the Project is to assist the Recipient in implementing its economic reform and development agenda, by strengthening its institutional capacity at the national and sub-national levels to carryout such reform agenda.

The Project consists of the carrying out of Subprojects to implement selected areas of the Recipient's economic reform and development agenda, including reducing poverty, inequality and social exclusion, improving public and market institutions, managing resource scarcity and environmental challenges, financing sustained and efficient growth, integrating China into the world economy, and promoting achievement by China of the Millennium Development Goals, and comprising the provision of consulting services, workshops, training, study tours and other capacity building activities, and goods.



## **SCHEDULE 2**

### **Project Execution**

#### **Section I. Subprojects; Institutional Arrangements**

##### **A. Design, selection, financing and implementation of Subprojects.**

1. A Subproject shall be eligible for financing out of the proceeds of the Grant only if it meets the following criteria:

(a) The Subproject shall support the overall development objective of the Project, shall have been prepared by a SIA in accordance with the “Guidelines for Subproject Proposal”, satisfactory to the Administrator, and shall meet the provisions of the World Bank Safeguard Policies, if applicable.

(b) The Subproject proposal shall contain a detailed description of its objectives, activities and expected benefits, including its direct relation in assisting the Recipient’s reform and development agenda, and the potential of replication and scaling up, in one or more of the following areas: reducing poverty, inequality and social exclusion, improving public and market institutions, managing resource scarcity and environmental challenges, financing sustained and efficient growth, and integrating China into the world economy, and such other areas as the Recipient and the Administrator shall so agree from time to time. Subprojects under Category B and C shall also be designed to focus primarily on reducing poverty, inequality and social exclusion and promoting achievement by China of the Millennium Development Goals (i.e., eradicate extreme poverty and hunger; achieve universal primary education; promote gender equality and empower women; reduce child mortality; improve maternal health; combat HIV/AIDS, malaria and other diseases; ensure environmental sustainability; and develop a Global Partnership for Development).

(c) The Subproject outputs and activities shall be clearly defined in both form and substance, adequately designed to ensure the realization of Subproject objectives, and reasonably expected to have direct and significant impact on the implementation of reform and development agenda of the Recipient in sectors and regions in the areas described in

paragraph (b) above. The impact shall be demonstrated through one or more of the following: (i) improved soundness of reform and development strategies; (ii) increased effectiveness of implementation of reform and development strategies; (iii) increased effectiveness of reform and development policies; (iv) innovative mechanisms that support the implementation of reform and development strategies and capacity building; (v) improved capacity of institutions and their staff involved in implementing reform and development strategy; and (vi) new knowledge learnt and its replication and scaling up.

(d) The Subproject proposal shall include: (i) demonstrated strong ownership and firm commitment to the implementation of the Subproject by the relevant SIA through the provisions of detailed organization, management, staffing and other resources required for the efficient and effective carrying out of the Sub-project; (b) Subproject costs, including a budget table, and an implementation action plan that provides the following information: (i) the proposed procurement plan for the Subproject, including proposed procurement procedures for goods and technical assistance, including a description of consultants assignments, estimated costs, selection methods, expected terms of reference, submission date and expected duration of the contracts; (ii) a detailed description of expenditure on staff training program and study tours; (iii) an estimate of the foreign and local costs of the different items of expenditures; (iv) a proposed financing plan and a proposed disbursement plan for the Subproject, including a detailed description of the expenditures proposed to be financed out of the proceeds of the Loan and DFID Grant, as the case may be; (v) a time-table covering the various activities under the Subproject; (vi) a time-table for implementing the outcomes of the Subproject after completion; and (vii) a detailed monitoring and evaluation strategy for Subproject implementation and outcomes, including clearly specified monitoring and evaluation indicators and commitment to adequate resources.

(e) The total cost for each Subproject shall not be less than \$100,000 equivalent. The aggregate cost of goods under all Subprojects shall not exceed \$3,200,000 equivalent.

2. The Recipient, through the PMO, shall appraise each Subproject prepared by a SIA to determine if it meets the selection criteria set forth above in sub-

paragraph A.1 prior to endorsing and furnishing it to the Administrator for approval and financing out of the proceeds of the DFID Grant.

3. To assist in the carrying out of Subprojects, the Recipient, through the PMO, shall make the proceeds of the Grant available to the SIAs under financing arrangements satisfactory to the Administrator.

4. The Recipient shall, and shall cause each SIA to, implement the Subprojects, including the relevant Subproject Procurement Plan as so approved by the Administrator, and the provisions of the relevant World Bank Safeguard Policies, as may be the case, in a manner and substance satisfactory to the Administrator. The Recipient shall, and shall cause each SIA to, obtain the Administrator's prior approval for changing the Subprojects design, implementation arrangements, the relevant Subproject Procurement Plan, and implementation arrangement relating to the World Bank Safeguard Policies as applicable. The Recipient shall promptly inform the Administrator of any situation that would adversely affect the carrying out of a Subproject and shall promptly take action, satisfactory to the Administrator, to address such situation.

## **B. Institutional Arrangements**

1. The Recipient shall maintain until completion of the Project in MOF the Project Management Office headed by the Director of the Technical Assistance Division, International Department, MOF, assisted by a full-time Project Coordinator, with qualifications and experience acceptable to the Administrator, responsible for the day-to-day implementation of the Project, such PMO to be assigned with qualified staff in adequate numbers, funds and other resources as shall be necessary to enable the PMO to undertake the review and selection of proposed Subprojects, and monitor, evaluate and supervise their implementation.

2. The Recipient shall establish, and shall cause each SIA to establish, as a condition for Subproject or Subprojects financing under the DFID Grant, and thereafter maintain until the completion of the relevant Subproject or Subprojects, a Subproject Management Office headed by a qualified officer and assigned with staff in adequate numbers to design Subproject proposals and implement them as so approved by the Administrator.

## **Section II. Project Monitoring, Reporting, Evaluation**

**A. Project Reports.**

1. (a) The Recipient shall, through the PMO, monitor and evaluate the progress of the Project and each Subproject and prepare Project Reports in accordance with the provisions of Section 5.08 of the General Conditions and on the basis of the indicators set forth below in sub-paragraph (c) of this paragraph. Each Project Report shall cover the period of one calendar semester, and shall be furnished to the Administrator not later than February 28 and August 31 of each year commencing on August 31, 2006.

(b) The Recipient shall, through PMO, prepare and furnish to the Administrator a mid-term report by no later than December 31, 2008. This report shall integrate the results of monitoring and evaluating Project performance during the period preceding the date of this report, and recommend measures to ensure efficient Project implementation so as to achieve the Project objectives during the period following the date of the report.

(c) The performance indicators referred to above in sub-paragraph A.1(a) are set forth in the Annex to this Schedule.

2. For purposes of Section 5.08(c) of the General Conditions, the report on the execution of the Project and related plan required pursuant to that Section shall be furnished to the Administrator not later than six (6) months after the Closing Date.

**B. Financial Management, Financial Reports and Audits.**

1. The Recipient shall maintain or cause to be maintained a financial management system, including a Financial Management Manual, satisfactory to the Administrator, in accordance with the provisions of Section 5.09 of the General Conditions.

2. The Recipient shall have its Financial Statements audited in accordance with the provisions of Section 5.09(b) of the General Conditions. Each audit of the Financial Statements shall cover the period of one fiscal year of the Recipient. The audited Financial Statements for each such period shall be furnished to the Administrator not later than six (6) months after the end of such period.

### **Section III. Procurement**

#### **A. General.**

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

#### **B. Particular Methods of Procurement of Goods.**

- 1. International and National Competitive Bidding.** Except as otherwise provided in paragraph 2 below, goods shall be procured under contracts awarded on the basis of International Competitive Bidding and National Competitive Bidding procedures subject to the following additional procedures:

The procedures to be followed for National Competitive Bidding shall be those set forth in the Law on Tendering and Bidding of the People's Republic of China promulgated by Order No. 21 of the President of the People's Republic of China on August 30, 1999, with the following clarifications required for compliance with the Guidelines:

- (i) All invitations to prequalify or to bid shall be advertised in a newspaper of national circulation in the Recipient's country, except for goods contracts that are estimated to cost less than \$300,000 equivalent each, which may be advertised in a provincial daily newspaper. Such advertisement shall be made in sufficient time for prospective bidders to obtain prequalification or bidding documents and prepare and submit their responses. In any event, a minimum of thirty (30) days shall be given to bidders between the

date of advertisement in such newspaper and the deadline for submission of bids, and the advertisement and bidding documents shall specify the deadline for such submission.

- (ii) Qualification requirements of bidders and the method of evaluating the qualification of each bidder shall be specified in detail in the bidding documents.
- (iii) All bidders that meet the qualification criteria set out in the pre-qualification document shall be allowed to bid and there shall be no limit on the number of pre-qualified bidders.
- (iv) All bidders shall be required to provide security in an amount sufficient to protect the relevant SIA in case of breach of contract by the contractor, and the bidding documents shall specify the required form and amount of such security.
- (v) Bidders will be allowed to submit bids by mail or by hand. The time for opening of all bids shall be the same as the deadline for receipt of such bids.
- (vi) All bids shall be opened in public; all bidders shall be afforded an opportunity to be present (either in person or through their representatives) at the time of bid opening, but bidders shall not be required to be present at the bid opening.
- (vii) All bid evaluation criteria shall be disclosed in the bidding documents and quantified in monetary terms or expressed in the form of pass/fail requirements.
- (viii) No bid may be rejected solely on the basis that the bid price falls outside any standard contract estimate, or margin or bracket of average bids established by the relevant SIA.
- (ix) Each contract shall be awarded to the lowest evaluated responsive bidder, that is, the bidder who meets the appropriate standards of capability and resources and whose bid has been determined:  
(A) to be substantially responsive to the bidding documents; and  
(B) to offer the lowest evaluated cost. The winning bidder shall not be required, as a condition of award, to undertake responsibilities

for work not stipulated in the bidding documents or otherwise to modify the bid as originally submitted.

- (x) Each contract financed with the proceeds of the DFID Grant shall provide that the suppliers and contractors shall permit the Administrator, at its request, to inspect their accounts and records relating to the performance of the contract and to have said accounts and records audited by auditors appointed by the Administrator.
- (xi) Government owned enterprises in the Recipient's country may be permitted to bid or submit a proposal for goods if they can establish that they: (i) are legally and financially autonomous; (ii) operate under commercial law; and (iii) are not a dependent agency of the agency conducting the procurement.
- (xii) Re-bidding should not be allowed solely because the number of bids is less than three (3).

**2. Other Methods of Procurement of Goods.** The following table specifies the method of procurement, other than International and National Competitive Bidding, which may be used for goods. The Procurement Plan shall specify the circumstances under which such method may be used.

<b>Procurement Method</b>
(a) Shopping

**C. Particular Methods of Procurement of Consultants' Services.**

**1. Quality- and Cost-based Selection.** Except as otherwise provided in paragraph 2 below, consultants' services shall be procured under contracts awarded on the basis of Quality and Cost-based Selection.

**2. Other Methods of Procurement of Consultants' Services.** The following table specifies the methods of procurement, other than Quality and Cost-based Selection, which may be used for consultants' services. The Procurement Plan shall specify the circumstances under which such methods may be used.

<b>Procurement Method</b>
(a) Selection Based on Consultants' Qualifications
(b) Individual Consultants
(c) Single Source Selection

**D. Review by the Administrator of Procurement Decisions.**

Except as the Administrator shall otherwise determine by notice to the Recipient, the following contracts shall be subject to Prior Review by the Administrator: (a) each contract for goods estimated to cost the equivalent of \$100,000 or more; (b) each contract for consultants' services provided by a firm estimated to cost the equivalent of \$100,000 or more; (c) each contract for the employment of individual consultants estimated to cost the equivalent of \$30,000 or more; (d) each contract for the employment of consultants under single source selection procedures; and (e) the first contract to be procured by each SIA for goods, for consultants' services provided by a firm, and for the employment of individual consultants, regardless of their respective estimated cost. In addition, the record of justification referred to in paragraph 5 of Appendix 1 to the Consultant Guidelines for consultants' services provided by individuals to be selected on a sole-source basis shall be subject to the prior approval of the Administrator. All other contracts shall be subject to Post Review by the Administrator.

**Section IV. Withdrawal of DFID Grant Proceeds**

**A. General.**

1. The Recipient may withdraw the proceeds of the DFID Grant in accordance with the provisions of this Section and such additional instructions as the Administrator shall specify by notice to the Recipient to finance Eligible Expenditures as set forth in the table in paragraph 2 below.

2. The following table specifies the categories of Eligible Expenditures that may be financed out of the proceeds of the DFID Grant ("Category"), the allocation of the amounts of the DFID Grant to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category.



<u>Category</u>	<u>Amount of the DFID Grant Allocated (in British Pound Sterling)</u>	<u>Percentage of Expenditures to be financed</u>
(1) Subprojects B	4,171,427	100%
(2) Subprojects C	1,142,859	50%
(3) Unallocated	281,514	
<b>Total</b>	<b>5,595,800</b>	

**B. Withdrawal Conditions; Withdrawal Period.**

1. Notwithstanding the provisions of Part A of this Section no withdrawal shall be made for payments made prior to the date of this Agreement.
2. The Closing Date is March 31, 2011.

## **ANNEX**

### **Performance Indicators**

The overall project performance indicators are: (i) high adoption and use of sound reform and development strategies, policies developed under the project; (ii) high level of effectiveness in the implementation of reform and development strategies and policies growing out of the project; and (iii) improved soundness of reform and development strategies emerging from the Project. Each Subproject shall include performance indicators, satisfactory to the Administrator, to monitor and evaluate their implementation and meeting their individual objectives.

## APPENDIX

### Section I. Definitions.

1. “British Pound Sterling” the lawful currency of the United Kingdom and Northern Ireland.
2. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.
3. “Consultant Guidelines” means the “Guidelines: Selection and Employment of Consultants by World Bank Borrowers” published by the Bank in May 2004.
4. “General Conditions” means the “International Bank for Reconstruction and Development General Conditions for Loans”, dated July 1, 2005.
5. “DFID” means the Department for International Development of the Government of the United Kingdom, Great Britain and Northern Ireland.
6. “DFID Grant” means an amount of 5,710,000 British Pound Sterling to be provided as a grant by DFID to assist the Recipient in financing the Project.
7. “DFID MOU” means the memorandum of understanding entered into between the DFID and the Administrator dated May 5, 2006 for purposes of this Agreement.
8. “Financial Management Manual” means the manual adopted by the Recipient pursuant to Section II, B.1 of Schedule 2 to this Agreement as such Manual may be amended with the prior approval by the Administrator.
9. “MOF” means the Recipient’s Ministry of Finance and any successor thereto.
10. “Procurement Guidelines” means the “Guidelines for Procurement under IBRD Loans and IDA Credits” published by the Bank in May 2004.

11. “Procurement Plan” means collectively the Subproject Procurement Plans as the same may be amended from time to time with the prior agreement by the Administrator, and referred to in paragraph 1.16 of the Procurement Guidelines and paragraph 1.24 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.
12. “Project Management Office” and the acronym “PMO” mean the office established within the Recipient’s International Department of its Ministry of Finance on December 1, 2005, and to be maintained according to the provisions of paragraph B.1, Section I of Schedule 2 to this Agreement.
13. “Subproject” means a technical assistance project to be designed and carried out by a Subproject Implementation Agency in accordance with the criteria set forth in paragraph A.1, Section I of Schedule 2 to this Agreement, with the objective of enhancing the institutional capacity building at the national and sub-national levels for the adoption and implementation of sound reform and development strategies, policies and implementation plans, and to be financed out of the proceeds of the Loan and of the DFID Grant, as provided for in the Loan Agreement and in this Agreement, respectively, under terms and conditions satisfactory to the Administrator, and the term “Subprojects” means collectively all Subprojects.
14. “Subproject A” means a Subproject as so defined to be implemented by the Recipient’s central government departments and agencies that are funded from the Recipient’s Annual Budgets with no obligation to repay the principal of the proceeds of the Loan made available to the relevant SIA by the Recipient pursuant to paragraph A.3, Section I, Schedule 2 to this Agreement.
15. “Subproject B” means a Subproject as so defined to be implemented by the Recipient’s central government departments and agencies, and local government departments and agencies with no obligation to repay the principal of the proceeds of the DFID Grant made available to the relevant SIA by the Recipient pursuant to the provisions of this Agreement.
16. “Subproject C” means a Subproject as so defined to be implemented by the Recipient’s local government departments and agencies with the obligation to repay the principal of the proceeds of the Loan made

available to the relevant SIA by the Recipient pursuant to paragraph A.3, Section I, Schedule 2 to this Agreement representing 50% of the total Subproject costs, and with no obligation to repay the principal of the proceeds of the DFID Grant made available to relevant SIA by the Recipient pursuant to the provisions of this Agreement and representing the balance of the total Subproject costs.

17. “Subproject D” means a Subproject as so defined to be implemented by the Recipient’s central government departments and agencies that are not funded from the Recipient’s Annual Budgets, and local government departments and agencies with the obligation to repay the principal of the proceeds of the Loan made available to the relevant SIA by the Recipient pursuant to paragraph A.3, Section I, Schedule 2 to this Agreement
18. “Subproject Implementing Agency” and the acronym “SIA” means any of the Recipient’s departments and agencies at either the national, provincial, municipal or county government level.
19. “Sub-project Proposal Guidelines” means the guidelines for the design of Sub-projects by SIAs, adopted by the Recipient through its Ministry of Finance on August 25, 2005, acceptable to the Administrator, as such Guidelines may be amended from time to time with the prior approval by the Administrator.
20. “Subproject Management Office” and the acronym “SMO” means the office to be established and maintain in each SIA pursuant to paragraph B.2 of Section I of Schedule 2 to this Agreement.
21. “Subproject Procurement Plan” means the procurement plan for each Subproject prepared by a SIA, endorsed by the Recipient and approved by the Administrator, as such plan may be amended from time to time with the prior approval by the Administrator, and Subproject Procurement Plans means collectively the Procurement Plan.

22. “World Bank Safeguards Policies” means the operational policies and procedures for financing of development projects by the Bank issued at the date of this Agreement and relating to Environmental Assessment, Natural Habitats, Pest Management, Indigenous Peoples (minority nationalities), Cultural Property, Involuntary Resettlement, Forestry, Safety of Dam, Projects on International Waterways, and Projects in Disputed Areas.