

Public Disclosure Authorized

CONFORMED COPY

GRANT NUMBER H6470-3A

Financing Agreement

(ACBF Regional Capacity Building Project)

between

INTERNATIONAL DEVELOPMENT ASSOCIATION

and

AFRICAN CAPACITY BUILDING FOUNDATION

Dated May 5, 2011

GRANT NUMBER H6470-3A

FINANCING AGREEMENT

AGREEMENT dated May 5, 2011, entered into between INTERNATIONAL DEVELOPMENT ASSOCIATION (“Association”) and AFRICAN CAPACITY BUILDING FOUNDATION (“Recipient”). The Recipient and the Association hereby agree as follows:

ARTICLE I — GENERAL CONDITIONS; DEFINITIONS

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

ARTICLE II — FINANCING

- 2.01. The Association agrees to extend to the Recipient, on the terms and conditions set forth or referred to in this Agreement, a grant in an amount equivalent to sixteen million three hundred thousand Special Drawing Rights (SDR 16,300,000) (“Financing”) to assist in financing the project described in Schedule 1 to this Agreement (“Project”).
- 2.02. The Recipient may withdraw the proceeds of the Financing in accordance with Section IV of Schedule 2 to this Agreement.
- 2.03. The Maximum Commitment Charge Rate payable by the Recipient on the Unwithdrawn Financing Balance shall be one-half of one percent (1/2 of 1%) per annum.
- 2.04. The Payment Dates are June 15 and December 15 in each year.
- 2.05. The Payment Currency is the Dollar.

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 in accordance with the provisions of Article IV 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 Association shall otherwise agree, the Recipient

shall ensure that the Project is carried out in accordance with the provisions of Schedule 2 to this Agreement.

ARTICLE IV — REMEDIES OF THE ASSOCIATION

- 4.01. The Additional Events of Suspension consist of the following:
- (a) The Recipient's Documents have, in the opinion of the Association, been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of the Recipient to perform any of its obligations under this Agreement.
 - (b) The MDTF Grant Agreement has failed to become effective by August 3, 2011, or such later date as the Association has established by notice to the Recipient; provided, however, that the provisions of this paragraph shall not apply if the Recipient establishes to the satisfaction of the Association that adequate funds for the Project are available from other sources on terms and conditions consistent with its obligations under this Agreement.
 - (c) The Republic of Zimbabwe has failed to comply with its obligations under the Zimbabwe Agreement; provided, however, that the provisions of this paragraph shall not apply if the Recipient establishes to the satisfaction of the Association that alternative arrangements for the operations of the Recipient are in place so as to enable the Recipient comply with its obligations under this Agreement.
 - (d) A Member Country has failed to comply with its obligations under the Member Country Agreement.

ARTICLE V — EFFECTIVENESS; TERMINATION

- 5.01. The Additional Conditions of Effectiveness consist of the following:
- (a) The Operations Manual has been adopted in accordance with the provisions of Section I.A.2 of Schedule 2 to this Agreement.
 - (b) The Recipient has satisfied the Conditions of Disbursement of the Second and Third Tranches of both the FY09 DGF Grant Agreement and the PACT-ACBF Memorandum of Understanding, to the satisfaction of the Association.
 - (c) The Recipient has adopted the Governance Action Plan in accordance with the provisions of Section V of Schedule 2 to this Agreement.

- (d) The Zimbabwe Agreement has been executed on behalf of all the parties thereto.
- 5.02. The Effectiveness Deadline is the date ninety (90) days after the date of this Agreement.
- 5.03. For purposes of Section 8.05 (b) of the General Conditions, the date on which the obligations of the Recipient under this Agreement (other than those providing for payment obligations) shall terminate is ten years after the date of this Agreement.

ARTICLE VI — REPRESENTATIVE; ADDRESSES

- 6.01. The Recipient's Representative is its Executive Secretary.
- 6.02. The Recipient's Address is:

African Capacity Building Foundation
ZB Life Towers, 7th Floor
Corner of Jason Moyo Ave. & Sam Nujoma St.
P.O. Box 1562
Harare, Zimbabwe

Facsimile:

(+263 4) 702915

- 6.03. The Association's Address is:

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

Cable:

Telex:

Facsimile:

INDEVAS
Washington, D.C.

248423 (MCI)

1-202-477-6391

AGREED at District of Columbia, United States of America, as of the day and year first above written.

INTERNATIONAL DEVELOPMENT ASSOCIATION

By

/s/ Michel Wormser
Authorized Representative

AFRICAN CAPACITY BUILDING FOUNDATION

By

/s/ Frannie Leautier
Authorized Representative

SCHEDULE 1

Project Description

The objectives of the Project are to contribute to: (a) enhanced capacity for effective policy formulation and management in the countries of the Sub-grantees; and (b) improved and sustained management of the Recipient's operations.

The Project consists of the following parts:

Part A: Capacity Building Sub-grants

Financing, through the provision of grants, including Sub-grants, of specific development projects to enhance the institutional capacity of the governments of Sub-Saharan African countries, regional organizations serving such countries, and other entities established in such countries in the following areas:

- (1) economic policy analysis and development management;
- (2) financial management, accountability and transparency;
- (3) national statistics and statistical systems; and
- (4) regional economic cooperation and integration and provision of regional public goods.

Part B: Institutional Development

Carrying out of a program of institutional development of the Recipient, consisting of the following activities, and provision of goods, consultants' services, training and Operating Costs required for the purpose:

- (1) Continued implementation of activities under the Management Action Plan, designed to strengthen the efficient and effective organization, management and operations of the Recipient.
- (2) Development of a medium-term strategy for the Recipient for the period 2012 - 2016, including enhancement of the monitoring and evaluation system for the Recipient's operations.
- (3) Appraisal, supervision and evaluation of Sub-projects.
- (4) Development and implementation of knowledge and learning activities designed to enhance skills and peer learning in economic and public sector management.

SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements

1. **Staffing.** In order to ensure the proper implementation of the Project, the Recipient shall at all times maintain qualified and experienced staff in adequate numbers, and with terms of reference acceptable to the Association and the resources necessary to carry out the Project with due diligence and efficiency.
2. **Operations Manual**
 - (a) The Recipient shall adopt (and thereafter implement the Project in accordance with) an operations manual, acceptable to the Association, which shall include fiduciary policies and procedures to be followed by the Recipient in conducting its operations, including the Project, such manual to cover, inter alia, financial management, procurement (including procurement under Sub-projects), disbursement and monitoring and evaluation arrangements for the Project, as well as the detailed eligibility criteria and terms and conditions, and procedures for preparation, approval and monitoring and evaluation, of Sub-grants.
 - (b) The Recipient shall ensure that the Project is carried out in accordance with the Operations Manual and shall not amend or waive any of its provisions without the Association's prior written agreement.
 - (c) Notwithstanding the foregoing, in the event of any inconsistency between the provisions of the Operations Manual and this Agreement, the provisions of this Agreement shall govern.

B. Anti-Corruption

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

C. Part A of the Project (Sub-projects)

1. The Recipient shall make Sub-grants to Sub-grantees for Sub-projects in accordance with eligibility criteria and procedures acceptable to the Association, which shall include the following:
 - (a) No proposed Sub-project shall be eligible for financing under a Sub-grant unless the Recipient shall have determined on the basis of an

appraisal carried out in accordance with guidelines acceptable to the Association, and elaborated in the Operations Manual, that:

- (i) the proposed Sub-project: (A) consists exclusively of technical assistance activities, including training, and does not involve any works or the preparation of feasibility studies or engineering designs for investments; (B) is technically feasible and economically viable; (C) is designed in accordance with sound environmentally and socially sustainable practices and standards; (D) is not benefitting or proposed to benefit from any financing from sources of funds other than the Financing and/or the Sub-grantee's own resources; and (E) is for the benefit, or to be carried out in the territory, of a Member Country which is eligible to receive financing out of the resources of the Association.
 - (ii) the proposed Sub-grantee: (A) is a Sub-Saharan Member Country eligible to receive financing out of the resources of the Association, or other legal entity established and operating under the laws of such country or established as a regional organization comprised of one or more of such countries; (B) has the organization, management, technical capacity and financial resources necessary to carry out the proposed Sub-project; and (C) has prepared a satisfactory financing plan and budget and implementation plan for the proposed Sub-project.
 - (b) The maximum amount: (i) of all Sub-grants to a single Sub-grantee shall not exceed the equivalent of seven million Dollars (\$7,000,000); and (ii) of each Sub-grant for a Sub-project shall not exceed the lesser of: (A) the equivalent of five million Dollars (\$5,000,000); and (B) the total estimated cost of the Sub-project minus the amount of any other financing to be provided therefor.
 - (c) Those Sub-grants proposed to be made by the Recipient under the Agreed Annual Work Plan, that shall have been selected by the Association in its review of said Agreed Annual Work Plan for its prior review, shall be subject to the Association's prior written approval and shall only be eligible for financing under the Financing if and to the extent approved by Association.
2. The Recipient shall make each Sub-grant under a Sub-grant Agreement with the respective Sub-grantee on terms and conditions approved by the Association, which shall include the following:
- (a) The Sub-grant shall be made on a non-reimbursable grant basis.

- (b) The Recipient shall obtain rights adequate to protect its interests and those of the Association, including the following:
 - (i) The Recipient shall require each Sub-grantee to:
 - (A) carry out its Sub-project with due diligence and efficiency and in accordance with sound technical, economic, financial, managerial, environmentally and socially sustainable standards and practices satisfactory to the Association, including in accordance with the provisions of the Anti-Corruption Guidelines applicable to recipients of loan proceeds other than the Recipient;
 - (B) provide, promptly as needed, the resources required for the purpose;
 - (C) procure the goods and services to be financed out of the Sub-grant in accordance with the provisions of Section III of this Schedule;
 - (D) maintain policies and procedures adequate to enable it to monitor and evaluate in accordance with indicators acceptable to the Association, the progress of the Sub-project and the achievement of its objectives;
 - (E) (1) maintain a financial management system and prepare financial statements in accordance with consistently applied accounting standards acceptable to the Association, both in a manner adequate to reflect the operations, resources and expenditures related to the Sub-project; and (2) have such financial statements audited annually by independent auditors acceptable to the Association, in accordance with consistently applied auditing standards acceptable to the Association, and promptly furnish the statements as so audited to the Recipient and the Association and permit the Association to make such statements as so audited publicly available (as well as the Sub-grant Agreement);
 - (F) enable the Recipient and the Association to inspect the Sub-project, its operation and any relevant records and documents; and

- (G) prepare and furnish to the Recipient and the Association all such information as the Recipient or the Association shall reasonably request relating to the foregoing.
 - (ii) The Recipient shall obtain the right to suspend or terminate the right of the Sub-grantee to use the proceeds of the Sub-grant, or obtain a refund of all or any part of the amount of the Sub-grant then withdrawn, upon the Sub-grantee's failure to perform any of its obligations under the Sub-grant Agreement.
 - (iii) If the Sub-grantee is an entity other than a Member Country, the Recipient shall obtain an agreement from the Member Country that the Member Country has no objection to the carrying out by the Sub-grantee of the Sub-project within its territory, and to this end shall: (A) afford all reasonable opportunity for representatives of the Association and the Recipient to visit any part of its territory for purposes related to the Sub-grant; and (B) not take or permit to be taken any action which would interfere with the performance by the Sub-grantee of its obligations under its Sub-grant Agreement.
3. The Recipient shall exercise its rights under each Sub-grant Agreement in such manner as to protect the interests of the Recipient and the Association and to accomplish the purposes of the Financing. Except as the Association shall otherwise agree, the Recipient shall not assign, amend, abrogate or waive any Sub-grant Agreement or any of its provisions.

D. Part B of the Project (Monitoring and Evaluation)

Without limitation on, and in furtherance of, the provisions of Section II of this Schedule, the Recipient shall take the following measures under Part B of the Project, in order to further enhance its monitoring and evaluation of Sub-projects:

1. not later than June 30, 2011, adjust the responsibilities of its staff in a manner satisfactory to the Association, so as to ensure that assessments of the monitoring and evaluation systems to be used under proposed Sub-grants are conducted by the Recipient during the preparation of each Sub-project, prior to its approval for financing; and
2. commencing not later than June 30, 2011, and at all times thereafter, prepare quarterly monitoring and evaluation reports on all of the Recipient's activities (including Sub-projects) in form and substance acceptable to the Association.

E. Agreed Annual Work Plans; Training

1. The Recipient shall:
 - (a) prepare under terms of reference acceptable to the Association, and furnish to the Association, not later than March 31 of each Fiscal Year during the period of Project implementation, for the Association's review and agreement, an annual work plan of activities (including Sub-Grants and training and workshops) proposed for inclusion in the Project during the following calendar year, together with a budget and financing plan for such activities and a timetable for their implementation; and
 - (b) thereafter, carry out the Project with due diligence during such following year in accordance with such annual work plan as shall have been agreed by the Association, as such plan may be amended from time to time by prior written agreement between the Association and the Recipient ("Agreed Annual Work Plan").
2. Only activities included in an Agreed Annual Work Plan shall be eligible for inclusion in the Project.
3. The Recipient shall ensure that in preparing any training or workshops proposed for inclusion in the Project under an Agreed Annual Work Plan, it shall identify in the work plan: (a) the objective and content of, and justification for, the training or workshop envisaged; (b) the selection method of institutions or individuals conducting such training or workshop, and said institutions if already known; (c) the expected duration and an estimate of the cost of said training or workshops; and (d) the personnel selected to attend the training or the workshop.

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports

The Recipient shall monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 4.08 of the General Conditions and on the basis of indicators acceptable to the Association. Each Project Report shall cover the period of one calendar semester, and shall be furnished to the Association not later than 45 days after the end of the period covered by such report.

B. Financial Management, Financial Reports and Audits

1. The Recipient shall maintain or cause to be maintained a financial management system in accordance with the provisions of Section 4.09 of the General Conditions.

2. Without limitation on the provisions of Part A of this Section, the Recipient shall prepare and furnish to the Association not later than forty-five (45) days after the end of each calendar quarter, interim unaudited financial reports for the Project covering the quarter, in form and substance satisfactory to the Association.
3. The Recipient shall have its Financial Statements audited in accordance with the provisions of Section 4.09 (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 Association not later than six (6) months after the end of such period.
4. In order to ensure the timely carrying out of the audits referred to in Part B.3 of this Section II, the Recipient shall engage auditors for the purpose not later than three (3) months after the Effective Date, with terms of reference and qualifications and experience acceptable to the Association and in accordance with the provisions of Section III of this Schedule.

Section III. Procurement

A. General

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

B. Particular Methods of Procurement of Goods

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

Procurement Method	
(a)	Limited International Bidding
(b)	National Competitive Bidding (subject to the provisions of Section III.B.3 of this Schedule)
(c)	Shopping
(d)	Direct Contracting

3. **Specific Provisions Applicable to National Competitive Bidding.** The following provisions shall apply to contracts procured on the basis of National Competitive Bidding and to be financed out of the proceeds of Sub-grants:

- (a) Eligibility. No bidder, foreign or domestic, shall be precluded from participating in the bidding process for reasons unrelated to their eligibility or capability to perform the contract. Examples of reasons that may not be used to preclude a bidder from so participating include the following: proof that the bidder is not under bankruptcy proceedings; appointment by the bidder of a local representative; prior registration by the bidder; or license or agreement allowing the bidder to operate.
- (b) Qualification. Bidders shall be post-qualified unless the related procurement plan explicitly provides otherwise. Irrespective of whether post qualification or prequalification is used, both national and foreign bidders who meet the qualification requirements stated in the bidding documents shall be allowed to participate in the bidding process.
- (c) Bidding Documents. Bidders shall use standard bidding documents for the procurement of goods and services, consistent with the provisions of the Procurement Guidelines.
- (d) Preferences. No preference for domestically manufactured goods shall be allowed.
- (e) Bid evaluation. The qualification criteria shall be clearly specified in the bidding documents, and all criteria so specified, and only such criteria so specified, shall be used to determine whether a bidder is qualified; the evaluation of the bidder's qualifications should be conducted separately from the technical and commercial evaluation of the bid. Evaluation of bids shall be made in strict adherence to the criteria set forth in the bidding documents; criteria other than price should be quantified in monetary terms. A contract shall be awarded to the qualified bidder offering the lowest technically responsive evaluated bid. Bidders shall not be eliminated from detailed evaluation on the basis of minor, non-substantial deviations.

- (f) Rejection of All Bids and Re-bidding. The Recipient's prior approval shall be obtained before rejecting all bids, soliciting new bids, or entering into negotiations with the lowest evaluated bidder.
- (g) Right to Inspect/Audit. Each bidding document and contract financed out of the proceeds of the Financing shall provide that the bidder or supplier, and any subcontractor, shall permit the Association and the Recipient, at either of its request, to inspect their accounts and records relating to the bid submission and performance of the contract, and to have these accounts and records audited by auditors appointed by the Association. An act by the bidder, supplier or subcontractor intended to materially impede the Association's exercise of its inspection and audit right constitutes an Obstructive Practice.

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 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.

Procurement Method	
(a)	Least-Cost Selection
(b)	Quality-Based Selection
(c)	Selection Under a Fixed-Budget
(d)	Selection Based on the Consultants' Qualifications
(e)	Single-Source Selection
(f)	Selection of Individual Consultants

D. Review by the Association of Procurement Decisions

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

E. Procurement Audits

The Recipient shall have all procurement activities undertaken by it under the Project audited annually, commencing with its Fiscal Year 2011, by auditors under terms of reference and with qualifications and experience satisfactory to the Association. Each such audit shall cover the period of one Fiscal Year and shall be furnished to the Association not later than 6 months after the end of such Fiscal Year.

Section IV. Withdrawal of the Proceeds of the Financing

A. General

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

Category	Amount of the Financing Allocated (expressed in SDR)	Percentage of Expenditures to be Financed (inclusive of Taxes)
(1) Goods, Training, Operating Costs and consultants’ services for Sub-projects under Part A of the Project	10,000,000	100%
(2) Goods, Training, consultants’ services and Operating Costs for Part B of the Project	6,300,000	100%
TOTAL AMOUNT	16,300,000	

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 except that withdrawals up to an aggregate amount not to exceed the equivalent of five million Dollars (\$5,000,000) may be made for payments made prior to this date but on or after July 1, 2010, for Eligible Expenditures under Category (2).
2. The Closing Date is December 31, 2015.

Section V. Other Undertakings

A. Management Action Plan; Governance Action Plan

In order to ensure the efficient and effective organization, management, staffing and operations of the Recipient, the Recipient shall:

1. at all times carry out its operations and conduct its affairs in accordance with the Management Action Plan; and
2.
 - (a) finalize a draft action plan for the proper governance of its operations and timetable for its implementation, in accordance with terms of reference satisfactory to the Association, and furnish the same to the Association;
 - (b) afford the Association a reasonable opportunity to exchange views with the Recipient on such action plan;
 - (c) adopt such action plan and time table taking into account the comments of the Association thereon (“Governance Action Plan”); and
 - (d) thereafter carry out the Governance Action Plan in accordance with its provisions.

APPENDIX

Definitions; Modifications to General Conditions; Modifications to Anti-Corruption Guidelines

Section I. Definitions

1. “Agreed Annual Work Plan” means each annual work plan for the Project prepared by the Recipient and agreed with the Association in accordance with Section I.E of Schedule 2 to this Agreement.
2. “Anti-Corruption Guidelines” means the “Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants”, dated October 15, 2006, with the modifications set forth in Section III of this Appendix.
3. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.
4. “Conditions of Disbursement of the Second and Third Tranches” means: (a) for the FY09 DGF Grant, the conditions of disbursement of the Second and Third Tranches of the FY09 DGF Grant referred to in the letter dated October 12, 2010, from the Bank to the Recipient; and (b) for the PACT-ACBF Grant, the conditions of the disbursement of the Second and Third Tranches of the PACT-ACBF Grant referred to in the letter dated November 11, 2010, from the Bank to donors of such grant; as such letters may be updated from time to time by the Bank.
5. “Consultant Guidelines” means the “Guidelines: Selection and Employment of Consultants by World Bank Borrowers” published by the Bank in May 2004, and revised in October 2006 and May 2010.
6. “Fiscal Year” and “FY” each means a fiscal year of the Recipient, commencing on January 1 and terminating on December 31.
7. “FY09 DGF Grant” means the grant provided to the Recipient pursuant to the FY09 DGF Grant Agreement.
8. “FY09 DGF Grant Agreement” means the Grant Agreement for the Partnership for Capacity Building in Africa (PACT), dated June 29, 2009, between the

Association and the Recipient, providing for a grant out of the Development Grant Facility Special Program (DGF File: 800209-01).

9. “General Conditions” means the “International Development Association General Conditions for Credits and Grants”, dated July 31, 2010, with the modifications set forth in Section II of this Appendix.
10. “Governance Action Plan” means the Recipient’s action plan to rationalize its governance structure and to ensure the appropriate governance of its operations, together with the timetable for implementation of such action plan, all as adopted in accordance with the provisions of Section V of Schedule 2 to this Agreement.
11. “Management Action Plan” means the plan of actions adopted by the Recipient designed to ensure its efficient and effective organization, operations and management, and set forth in the plan sent by the Recipient to the Association and attached as Annex 1 to the letter dated January 28, 2010, from the Association to the Recipient, including the actions set forth in the Conditions of Disbursement of the Second and Third Tranches.
12. “MDTF Grant” means a grant in the amount of up to fifty-one million six hundred thousand Dollars (\$51,600,000) equivalent, to be provided under the MDTF Grant Agreement to assist in financing the Project.
13. “MDTF Grant Agreement” means the Multi-donor Trust Fund Grant Agreement for the Project and providing for the MDTF Grant, between the Association and the Bank, acting as administrator of the African Capacity Building Foundation - Partnership for Capacity Building in Africa - Strategic Medium Term Plan 2 Multi-donor Trust Fund, and the Recipient, dated the same date as this Agreement, as such grant agreement may be amended from time to time. “MDTF Grant Agreement” includes all appendices, schedules and agreements supplemental to the MDTF Grant Agreement. .
14. “Member Country Agreement” means, with respect to each Sub-grant made to an entity other than the Member Country or a regional organization, for a Sub-project, the agreement between the Member Country and the Recipient referred to in Section I.C.2 (b) (iii) of Schedule 2 to this Agreement.
15. “Operating Costs” means the incremental expenses incurred on account of Project implementation, consisting of reasonable expenditures for office supplies, vehicle operation and maintenance, communication and insurance costs, banking charges, rental expenses, office and office equipment maintenance, utilities, document duplication/printing, consumables, travel cost and *per diem* for Project staff for travel linked to the implementation of the Project, and salaries of staff.

16. “Operations Manual” means the operations manual to be adopted in accordance with the provisions of Section I.A.2 of Schedule 2 to this Agreement.
17. “PACT-ACBF Grant” means the funds provided to the Recipient pursuant to the PACT-ACBF Memorandum of Understanding.
18. “PACT-ACBF Memorandum of Understanding” means the Memorandum of Understanding Relating to the ACBF-PACT Trust Fund, dated November 12, 2002, among various donors, the Recipient and the World Bank.
19. “Procurement Guidelines” means the “Guidelines: Procurement under IBRD Loans and IDA Credits” published by the Bank in May 2004, and revised in October 2006 and May 2010.
20. “Procurement Plan” means the Recipient’s procurement plan for the Project, dated December 14, 2010, 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.
21. “Recipient’s Documents” means the agreement among the African Development Bank, the Bank and the United Nations Development Programme, dated February 9, 1991, (“Founders’ Agreement”) establishing the African Capacity Building Foundation (ACBF) in accordance with its Constitution set forth in an Annex to the Founders’ Agreement (“ACBF Constitution”); the ACBF Constitution; and the Agreement between the Republic of Zimbabwe and the African Capacity Building Foundation (ACBF) regarding the Headquarters of ACBF signed May 22, 1991, by the parties thereto; as such agreements and constitution may be amended from time to time.
22. “Sub-grant” means a grant made or proposed to be made by the Recipient to a Sub-grantee out of the proceeds of the Financing for a Sub-project in accordance with the provisions of this Agreement.
23. “Sub-grant Agreement” means in respect of each Sub-grant, the agreement between the Recipient and a Sub-grantee providing for said Sub-grant.
24. “Sub-grantee” means a Member Country or other legal entity to which the Recipient has made or proposes to make a Sub-grant for a Sub-project in accordance with the provisions of this Agreement.
25. “Sub-project” means a specific development project to be carried out by a Sub-grantee under Part A of the Project.
26. “Training” means the reasonable costs associated with training and workshop participation under the Project, consisting of travel and subsistence costs for

training participants, costs associated with securing the services of trainers, rental of training facilities, preparation and reproduction of training materials, and other costs directly related to course or workshop preparation and implementation.

27. “Zimbabwe Agreement” means the agreement related to the Project to be entered into between the Republic of Zimbabwe, the Association and the Bank; as such agreement may be amended from time to time. “Zimbabwe Agreement” includes all appendices, schedules and agreements supplemental to the Zimbabwe Agreement.

Section II. Modifications to the General Conditions

The modifications to the “International Development Association General Conditions for Credits and Grants”, dated July 31, 2010, are as follows (all references to Sections and the Appendix are to Sections of and the Appendix to said General Conditions):

- A. In Section 2.06 (*Financing Taxes*), the text “Taxes levied by, or in the territory of, the Recipient” is modified to read “Taxes levied by, or in the territory of, the Member Country”.
- B. In Section 3.10 (*Manner of Payment*), the text “Taxes levied by, or in the territory of the Recipient” is modified to read “Taxes levied by, or in the territory of, the Member Country”.
- C. Paragraph (a) of Section 4.09 (*Financial Management, Financial Statements, Audits*) is modified to read as follows:
- “(a) The Recipient shall maintain or cause to be maintained a financial management system and prepare financial statements (“Financial Statements”) in accordance with consistently applied accounting standards acceptable to the Association, both in a manner adequate to reflect the operations and financial condition of the Recipient, including the operations, resources and expenditures related to the Project.”
- D. Paragraph (a) of Section 4.11 (*Visits*) is modified to read as follows:
- “(a) The Recipient shall take all measures required on its part to enable the representatives of the Association to visit any part of the Member Country’s territory for purposes related to the Financing or the Project.”
- E. Section 5.01 (*Financial and Economic Data*) is deleted in its entirety.

- F. In sub-paragraph (ii)(B) of Section 6.02(i) (*Assignment of Obligations; Disposition of Assets*), the expression “Project Implementing Entity” is modified to read “Recipient”.
- G. Section 6.02 (j) (*Membership*) is modified to read as follows:
- “(j) *Membership*. The Member Country or any member of the Recipient: (i) has been suspended from membership in or ceased to be a member of the Association; or (ii) has ceased to be a member of the International Monetary Fund.”
- H. In Sections 6.02(k) (*Condition of Project Implementing Entity*) and 6.02(l) (*Ineligibility*), all references to “Project Implementing Entity” are modified to read “Recipient”.
- I. A new paragraph (m) is added to Section 6.02 (*Suspension by the Association*) (and the existing paragraph (m) is renumbered as (n)) to read as follows:
- “(m) *Interference*. The Member Country has: (i) taken or permitted to be taken any action which would prevent or interfere with the execution of the Project or the performance by the Recipient of its obligations under the Financing Agreement; or (ii) failed to afford a reasonable opportunity for representatives of the Association to visit any part of its territory for purposes related to Financing or the Project.”
- J. A new definition is added as paragraph 35 of the Appendix to read as follows, and the existing paragraph 35 and subsequent paragraphs (all and references to such paragraph numbers) are renumbered accordingly:
35. “Member Country” means the member of the Association in whose territory the Project is carried out or any of such member’s political or administrative subdivisions. If such activity is carried out in the territory or more than one such member, “Member Country” refers separately to each such member.”
- K. The definition of “Recipient” (as renumbered pursuant to the addition of the definition of Member Country) is modified to read as follows:
- “46. “Recipient” means the entity which is a party to the Financing Agreement and to which the Financing is extended.”

Section III. Modifications to the Anti-Corruption Guidelines

The modifications to the Anti-Corruption Guidelines are as follows:

- A. Section 5 is re-numbered as Section 5(a) and a new Section 5(b) is added to read as follows:

“(b) These Guidelines also provide for the sanctions and related actions to be imposed by the Bank on Borrowers (other than the Member Country) and all other individuals or entities who are recipients of Loan proceeds, in the event that the Borrower or the individual or entity has been debarred by another financier as a result of a determination by such financier that the Borrower or the individual or entity has engaged in fraudulent, corrupt, coercive or collusive practices in connection with the use of the proceeds of a financing made by such financier.”

B. Section 11(a) is modified to read as follows:

“(a) sanction in accordance with prevailing Bank’s sanctions policies and procedures (fn13) a Borrower (other than a Member Country) (fn 14) or an individual or entity, including (but not limited to) declaring such Borrower, individual or entity ineligible publicly, either indefinitely or for a stated period of time: (i) to be awarded a Bank-financed contract; (ii) to benefit from a Bank-financed contract, financially or otherwise, for example as a sub-contractor; and (iii) to otherwise participate in the preparation or implementation of the project or any other project financed, in whole or in part, by the Bank, if at any time the Bank determines (fn 15) that such Borrower, individual or entity has engaged in corrupt, fraudulent, collusive, coercive or obstructive practices in connection with the use of loan proceeds, or if another financier with which the Bank has entered into an agreement for the mutual enforcement of debarment decisions has declared such person or entity ineligible to receive proceeds of financings made by such financier or otherwise to participate in the preparation or implementation of any project financed in whole or in part by such financier as a result of a determination by such financier that the Borrower or the individual or entity has engaged in fraudulent, corrupt, coercive or collusive practices in connection with the use of the proceeds of a financing made by such financier.”

Footnotes:

“13. An individual or entity may be declared ineligible to be awarded a Bank financed contract upon completion of sanctions proceedings pursuant to the Bank’s sanctions policies and procedures, or under the procedures of temporary suspension or early temporary suspension in connection with an ongoing sanctions proceeding, or following a sanction by another financier with whom the Bank has entered into a cross debarment agreement, as a result of a determination by such financier that the firm or individual has engaged in fraudulent, corrupt, coercive or collusive practices in connection with the use of the proceeds of a financing made by such financier.”

“14. Member Country includes officials and employees of the national government or of any of its political or administrative subdivisions, and government owned enterprises and agencies that are not eligible to bid under paragraph 1.8(b) of the Procurement Guidelines or participate under paragraph 1.11(c) of the Consultant Guidelines.”

“15. The Bank has established a Sanctions Board, and related procedures, for the purpose of making such determinations. The procedures of the Sanctions Board sets forth the full set of sanctions available to the Bank. In addition, the Bank has adopted an internal protocol outlining the process to be followed in implementing debarments by other financiers, and explaining how cross-debarments will be posted on the Bank’s website and otherwise be made known to staff and other stakeholders.”