

IDA GRANT NUMBER H065 KE

Project Agreement

(Development Learning Center Project)

between

INTERNATIONAL DEVELOPMENT ASSOCIATION

and

DEVELOPMENT LEARNING CENTER

Dated November 10, 2003

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PROJECT AGREEMENT

AGREEMENT, dated November 10, 2003, between the INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association) and the DEVELOPMENT LEARNING CENTER (DLC)

WHEREAS (A) by the Development Grant Agreement of even date herewith between the Republic of Kenya (the Recipient) and the Association, the Association has agreed to make available to the Recipient an amount in various currencies equivalent to two million Special Drawing Rights (SDR 2,000,000), on the terms and conditions set forth in the Development Grant Agreement, but only on condition that DLC agree to undertake such obligations toward the Association as are set forth in this Agreement;

(B) by a Subsidiary Grant Agreement to be entered into between the Recipient and DLC, part of the proceeds of the Grant provided for under the Development Grant Agreement will be made available to DLC on the terms and conditions set forth in said Subsidiary Grant Agreement; and

WHEREAS DLC, in consideration of the Association's entering into the Development Grant Agreement with the Recipient, has agreed to undertake the obligations set forth in this Agreement;

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

Definitions

Section 1.01. Unless the context otherwise requires, the several terms defined in the Development Grant Agreement, the Preamble to this Agreement and in the General Conditions (as so defined) have the respective meanings therein set forth.

ARTICLE II

Execution of the Project

Section 2.01. (a) DLC declares its commitment to the objectives of the Project as set forth in Schedule 2 to the Development Grant Agreement, and, to this end, shall carry out Part B of the Project with due diligence and efficiency and in conformity with appropriate administrative, financial, educational, engineering, environmental and

technical practices, and shall provide, or cause to be provided, promptly as needed, the funds, facilities, services and other resources required for Part B of the Project.

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

Section 2.02. Except as the Association shall otherwise agree, the goods and consultants' services required for Part B of the Project and to be financed out of the proceeds of the Grant shall be governed by the provisions of Schedule 3 to the Development Grant Agreement.

Section 2.03. DLC shall carry out the obligations set forth in Sections 9.03, 9.04, 9.05, 9.06, 9.07 and 9.08 of the General Conditions (relating to insurance, use of goods and services, plans and schedules, records and reports, maintenance and land acquisition) in respect of this Agreement.

Section 2.04. DLC shall duly perform all its obligations under the Subsidiary Grant Agreement. Except as the Association shall otherwise agree, DLC shall not take or concur in any action which would have the effect of assigning, amending, abrogating or waiving the Subsidiary Grant Agreement or any provision thereof.

Section 2.05. (a) DLC shall, at the request of the Association, exchange views with the Association with regard to the progress of Part B of the Project, the performance of its obligations under this Agreement and under the Subsidiary Grant Agreement, and other matters relating to the purposes of the Project.

(b) DLC shall promptly inform the Association of any condition which interferes or threatens to interfere with the progress of the Project, the accomplishment of the purposes of the Grant, or the performance by DLC of its obligations under this Agreement and under the Subsidiary Grant Agreement.

Section 2.06. For the purposes of Section 9.06 of the General Conditions and without limitation thereto, DLC, in conjunction with the Recipient, shall:

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

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

ARTICLE III

Management and Operations of DLC

Section 3.01. DLC shall carry on its operations and conduct its affairs in accordance with sound administrative, financial and technical practices under the supervision of qualified and experienced management assisted by competent staff in adequate numbers.

Section 3.02. DLC shall at all times operate and maintain its buildings, office space, equipment and other property, and from time to time, promptly as needed, make all necessary repairs and renewals thereof, all in accordance with sound administrative, financial and technical practices.

Section 3.03. DLC shall take out and maintain with responsible insurers, or make other provision satisfactory to the Association for, insurance against such risks and in such amounts as shall be consistent with appropriate practice.

ARTICLE IV

Financial Covenants

Section 4.01. (a) DLC shall establish and maintain a financial management system, including records and accounts, and prepare financial statements, in accordance with consistently applied accounting standards acceptable to the Association, adequate to reflect its operations and financial condition and to register separately the operations, resources and expenditures related to Part B of the Project.

(b) DLC shall:

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

Association; and

- (iii) furnish to the Association such other information concerning such records and accounts and the audit of such financial statements, and concerning said auditors, as the Association may from time to time reasonably request.

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

- (i) sets forth sources and uses of funds for Part B of the Project, both cumulatively and for the period covered by said report, showing separately funds provided under the Grant, and explains variances between the actual and planned uses of such funds;
- (ii) describes physical progress in implementation of Part B of the Project, both cumulatively and for the period covered by said report, and explains variances between the actual and planned implementation of Part B of the Project; and
- (iii) sets forth the status of procurement under Part B of the Project, as at the end of the period covered by said report.

(b) The first FMR shall be furnished to the Association 45 days after the end of the first calendar quarter after the first expenditure under Part B of the Project, and shall cover the period from such first expenditure to the end of such first calendar quarter; thereafter, each FMR shall be furnished to the Association not later than 45 days after each subsequent calendar quarter, and shall cover such calendar quarter.

ARTICLE V

Effective Date; Termination

Cancellation and Suspension

Section 5.01. This Agreement shall come into force and effect on the date upon which the Development Grant Agreement becomes effective.

Section 5.02. (a) This Agreement and all obligations of the Association and of DLC thereunder shall terminate on the earlier of the following two dates:

- (i) the date on which the Development Grant Agreement shall terminate in accordance with its terms; or
- (ii) the date fifteen years after the date of this Agreement.

(b) If the Development Grant Agreement terminates in accordance with its terms before the date specified in paragraph (a) (ii) of this Section, the Association shall promptly notify DLC of this event.

Section 5.03. All the provisions of this Agreement shall continue in full force and effect notwithstanding any cancellation or suspension under the General Conditions.

ARTICLE VI

Miscellaneous Provisions

Section 6.01. Any notice or request required or permitted to be given or made under this Agreement and any agreement between the parties contemplated by this Agreement shall be in writing. Such notice or request shall be deemed to have been duly given or made when it shall be delivered by hand or by mail, telex or facsimile to the party to which it is required or permitted to be given or made at such party's address hereinafter specified or at such other address as such party shall have designated by notice to the party giving such notice or making such request. Deliveries made by facsimile transmission shall also be confirmed by mail. The addresses so specified are:

For the Association:

International Development Association
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)	(202) 477 6391

For the Development Learning Center:

Development Learning Center
c/o Directorate of Personnel Management
P.O. Box 30050 00100
Office of the President
Harambee House
Nairobi, Kenya

Cable address:	Telex:	
Facsimile:		
	23125	210192

SCHEDULE
Implementation Program

Section I. Implementation Arrangements

1. (a) DLC shall: (i) prepare and furnish to the Association, a Project Implementation Plan for Part B of the Project, in form and substance satisfactory to the Association; (ii) carry out Part B of the Project in accordance with said PIP; and (iii) except as the Association shall otherwise agree, not amend, abrogate or waive any provision of said PIP which, in the opinion of the Association, may materially and adversely affect the implementation of Part B of the Project or the achievement of the objectives thereof.

(b) Without limitation upon the provision of Paragraph 1 of this Section, the PIP shall include: (i) a Project implementation plan; (ii) a Project monitoring and evaluation plan; (iii) a Project procurement plan; (iv) a Project financial management manual; and (v) such other administrative, financial, technical and organizational arrangements as shall be required for Part B of the Project.

2. (a) DLC shall prepare a Business Plan, in form and substance satisfactory to the Association, which shall set out in such detail as the Association shall reasonably request, market data, budget and sources of financing, training and other services to be provided under Part B of the Project, sources and programming of training, pricing policy for different types of training and financial projections in the form of a budget, operating account and marketing strategy.

(b) DLC shall, no later than November 15 of each year, furnish the Business Plan for the following year to its Board for approval and to the Association for review and comments. DLC shall update the Business Plan annually and promptly furnish each updated plan to its Board for approval and to the Association for review and comments.

(c) DLC shall prepare and furnish to its Board, no later than 30 days after the end of each quarter, an activity report on its operations and progress made in carrying out the Business Plan during the quarter. Said quarterly report shall specify any problems encountered in the carrying out of Part B of the Project and include updated performance indicators on DLC's operations.

3. DLC shall enter into a Memorandum of Understanding with KIA, on terms and conditions satisfactory to the Association, specifying mutual responsibilities and modalities of cooperation between DLC and KIA, including the terms and conditions related to the maintenance of DLC's facilities on the premises of KIA and, except as the Association shall otherwise agree, not amend, abrogate or waive any provision of the said memorandum which, in the opinion of the Association, may materially and adversely affect the implementation of Part B of the Project or the achievement of the objectives thereof.

Section II. Institutional Arrangements

1. DLC shall establish, and thereafter maintain until the completion date of the Project, a Project Implementation Unit in form and with functions, staffing and resources satisfactory to the Association.
2. Without limitation upon the provision of Paragraph 1 of this Section, DLC PIU shall consist of the following staff with terms of reference, qualifications and experience satisfactory to the Association: (a) a Director; (b) a training coordinator; (c) an accountant; (d) an administrative assistant; and (e) and information technology officer.

Section III. Monitoring and Reporting Arrangements

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

2. Progress Reports and Reviews

(a) DLC shall prepare, in conjunction with the Recipient, under terms of reference satisfactory to the Association, and furnish to the Association, annually beginning on or about the date twenty four (24) months after the Effective Date, a report integrating the results of the monitoring and evaluation activities performed pursuant to paragraph 1 of this Section, on the progress achieved in the carrying out of Part B of the Project during the period preceding the date of said report, and a draft work program and related budget, including the measures recommended to ensure the efficient carrying out of Part B of the Project and the achievement of the objectives thereof during the twelve months' period following such date.

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

3. Mid-term Review

(a) DLC shall carry out, jointly with the Recipient and the Association, on or about the date thirty six (36) months after the Effective Date, a comprehensive mid-term review of the implementation of operations under the Project aimed at: (i) documenting progress toward Project objectives and sustainability of Project activities, notably the financing of recurrent maintenance costs; (ii) reviewing the performance of DLC under the Project; (iii) identifying and removing obstacles to Project implementation; and (iv) adjusting, in agreement with the Association, targets and corresponding programs to

reflect progress achieved in the implementation of the Project as of the date of the review.

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

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