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DOCUMENTS

CREDIT NUMBER 5803-ZM

Financing Agreement

(Eastern and Southern Africa Higher Education Centers of Excellence Project – ACE II)

between

REPUBLIC OF ZAMBIA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated May 11, 2017, ~~2016~~

CREDIT NUMBER 5803-ZM

FINANCING AGREEMENT

AGREEMENT dated May 11, 2017, ~~2016~~, entered into between REPUBLIC OF ZAMBIA ("Recipient") and INTERNATIONAL DEVELOPMENT ASSOCIATION ("Association"). 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 credit in an amount equivalent to eight million seven hundred thousand Special Drawing Rights (SDR 8,700,000) (variously, "Credit" and "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 The Service Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to three-fourths of one percent (3/4 of 1%) per annum.

2.05. The Payment Dates are February 15 and August 15 in each year.

2.06. The principal amount of the Credit shall be repaid in accordance with the repayment schedule set forth in Schedule 3 to this Agreement.

2.07. The Payment Currency is Dollars.

ARTICLE III — PROJECT

3.01. The Recipient declares its commitment to the objective of the Project. To this end, the Recipient shall: (a) carry out Part 1 of the Project through the Eastern and Southern African Higher Education Institutions; and (b) collaborate with IUCEA in carrying out Parts 2 and 3 of the Project, all in accordance with the provisions of Article IV of the General Conditions and the Performance and Funding Agreements.

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 Event of Suspension consists of the following:

(a) the Eastern and Southern African Higher Education Institutions' Legislation has been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of the Eastern and Southern African Higher Education Institutions to perform any of their obligations under the Performance and Funding Agreements; and

(b) a situation has arisen which shall make it improbable that the Eastern and Southern African Higher Education Institutions will comply with or carry out their obligations under this Agreement.

4.02. The Additional Event of Acceleration consists of the following, namely that any event specified in Section 4.01 of this Agreement occurs and is continuing for a period of sixty (60) days after notice of the event has been given by the Association.

ARTICLE V — EFFECTIVENESS; TERMINATION

5.01. The Additional Condition of Effectiveness consists of the following:

(a) The Performance and Funding Agreements have been executed in form and substance satisfactory to the Association on behalf of the Recipient and the Eastern and Southern African Higher Education Institutions.

(b) The National Steering Committee has been created by the Recipient in form and substance satisfactory to the Association.

5.02. The Additional Legal Matter consists of the following: namely, that the Performance and Funding Agreements have been duly authorized or ratified by the Recipient and the Eastern and Southern African Higher Education Institutions and are legally

binding upon the Recipient and the Eastern and Southern African Higher Education Institutions in accordance with their terms.

5.03. The Effectiveness Deadline is the date one hundred twenty (120) days after the date of signing of this Agreement.

5.04. 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 twenty (20) years after the date of this Agreement.

ARTICLE VI — REPRESENTATIVE; ADDRESSES

6.01. The Recipient's Representative is its Minister responsible for finance.

6.02. The Recipient's Address is:

Ministry of Finance
P.O. Box 50062
Lusaka,
Republic of Zambia

Telex:	Facsimile:
42221	(+260 211) 253494/251078

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 *Lusaka, Republic of Zambia,* as of the day and year first above written.

REPUBLIC OF ZAMBIA

By _____
Authorized Representative

Name: HON. FELIX. C. MUTATI

Title: MINISTER OF FINANCE

INTERNATIONAL DEVELOPMENT ASSOCIATION

By _____
Authorized Representative

Name: INA-MARLENE RUTHNBERG

Title: COUNTRY MANAGER, WORLD BANK LUSAKA

SCHEDULE 1

Project Description

The objective of the Project is to support the Recipient to strengthen selected Eastern and Southern African Higher Education Institutions in the Recipient's territory to deliver quality post-graduate education and build collaborative research capacity in the regional priority areas.

The Project consists of the following components:

Part 1: Strengthening Africa Centers of Excellence in Regional Priority Areas

Strengthen the capacity of the Africa Centers of Excellence in Eastern and Southern African Higher Education Institutions, in particular to:

(a) build institutional capacity to provide quality post-graduate education with relevance to the labor market;

(b) build institutional capacity to conduct high quality applied research, relevant to addressing a key development challenge or priority;

(c) develop and enhance partnerships with other academic institutions (national, regional and international) to pursue academic excellence;

(d) develop and enhance partnerships with industry and the private sector to generate greater impact;

(e) improve governance and management of the institution and set up a role model for other higher education institutions; and

(f) deliver outreach, and create an impact, to society by delivering excellent teaching and producing high quality applied research.

Part 2: Capacity-Building Support to Africa Centers of Excellence through Regional Interventions

Enhance capacity-building through IUCEA for the Africa Centers of Excellence to enable them to perform better, overcome their challenges and achieve their objectives by providing:

(a) capacity building on partnership development with the private sector; and

(b) competitive scholarships to undertake programs in any of the African Centers of Excellence.

Part 3: Facilitation, Coordination and Administration of Project Implementation

Support IUCEA in the preparation, coordination and effective and efficient management of the Project.

SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements

The Recipient shall maintain throughout the period of Project implementation:

1. Its representative in the Regional Steering Committee to provide overall guidance and oversight for the Project at regional level and to participate in the semi-annual meetings.

2. The National Steering Committee to hold semi-annual reviews of performance and implementation support for the Project at national level, including approvals of Annual Work Programs and implementation planning.

3. The Project Implementation Teams in the Eastern and Southern African Higher Education Institutions to run the day-to-day management of the Project.

All with the composition, staffing, and powers acceptable to the Association as further described in the Project Operational Manual, in the Project Implementation Plan or in the Performance and Funding Agreements.

B. Annual Work Programs

1. The Recipient shall, not later than November 30 in each calendar year during Project implementation, prepare, in cooperation with the Eastern and Southern African Higher Education Institutions and furnish to the Association, a program of activities proposed for inclusion in Part 1 of the Project during the following fiscal year, including: (a) a detailed timetable and budget for the sequencing and implementation of said activities; (b) the types of expenditures required for such activities; and (c) the planned procurement methods for the expenditures.

2. The Recipient shall exchange views with the Association on each such proposed Annual Work Program, and shall thereafter cause the Eastern and Southern African Higher Education Institutions and the ACEs to carry out such program of activities for such following fiscal year as shall have been agreed between the Recipient and the Association.

3. Only those activities, which are included in an Annual Work Program, shall be included in the Project. Notwithstanding the foregoing, the Annual Work Program might be amended from time to time to include new activities with the prior and written concurrence of the Association.

C. Eligible Expenditure Programs and Technical Controls

1. The Recipient shall cause the Eastern and Southern African Higher Education Institutions to cooperate with IUCEA or the Independent Verifiers, acting as third party monitoring and evaluation experts in order to assess the proper fulfillment of DLIs and DLRs as set forth in Schedule 4 to this Agreement and confirm the actual spending status of the EEPs, said assessment and confirmation to be included in the bi-annual EEP Spending Reports together with a proposal for disbursement under each Withdrawal, prepared in accordance with the Project Operational Manual.

2. The EEPs will comply with the eligibility criteria and procedures set forth in the Project Operational Manual.

D. Performance and Funding Agreements

1. To facilitate the carrying out of Part 1 of the Project, the Recipient shall make part of the proceeds of the Financing allocated from time to time to Category (1) of the table set forth in Section IV.A.2 of this Schedule available to the Eastern and Southern African Higher Education Institutions under a signed agreement between the Recipient and said Eastern and Southern African Higher Education Institutions under terms and conditions satisfactory to the Association, including the obligation for the University of Zambia to present, before any disbursement can take place under its respective agreement, its 2013 and 2014 audit reports in form and substance satisfactory to the Association ("Performance and Funding Agreements").

2. The Recipient shall exercise its rights under the Performance and Funding Agreements 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 the Performance and Funding Agreements or any of their provisions.

E. Anti-Corruption

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

F. Project Implementation Plan and Environmental and Social Management Plan

(a) The Recipient shall cause the ACEs to: (i) adopt not later than one month after the Effective Date and, thereafter maintain their respective Project Implementation Plans in form and substance satisfactory to the Association; and (ii) carry out the Project in accordance with the Project Implementation Plan and the Environmental and Social Management Plan.

(b) The Recipient shall cause the Eastern and Southern African Higher Education Institutions and the ACEs not to amend the Project Implementation Plan or the

Environmental and Social Management Plan without the prior written approval of the Association.

(c) In the event of any conflict between the provisions of the Project Implementation Plan or the Environmental and Social Management Plan and this Agreement, the provisions of this Agreement shall prevail.

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports

1. The Recipient shall cause the Eastern and Southern African Higher Education Institutions to 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 set forth in the Project Implementation Plan and found acceptable to the Association. Each Project Report shall cover the period of six (6) months, and shall be furnished to the Recipient, the Association and to the Inter-University Council for East Africa not later than forty-five (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 cause the Eastern and Southern African Higher Education Institution's Africa Centers of Excellence to prepare and furnish to the Recipient, the Association and the Inter-University Council for East Africa not later than forty-five days after the end of six calendar months, interim unaudited financial reports for the Project covering the six (6) month period, in form and substance satisfactory to the Association.

3. The Recipient shall cause the Eastern and Southern African Higher Education Institutions to have their Financial Statements audited in accordance with the provisions of Section 4.09(b) of the General Conditions. Each audit of said Financial Statements shall cover the period of one fiscal year of the Eastern and Southern African Higher Education Institutions, commencing with the fiscal year in which the first withdrawal was made under the Project. The audited Financial Statements for each such period shall be furnished to the Recipient, the Association and the Inter-University Council for East Africa not later than nine months after the end of such period.

4. The Recipient shall cause the Eastern and Southern African Higher Education Institution's Africa Center of Excellence, to have their Financial Statements audited in accordance with the provisions of Section 4.09(b) of the General Conditions. Each audit of said Financial Statements shall cover the period of one fiscal year of the Eastern and Southern African Higher Education Institution's Africa Center of

Excellence, commencing with the fiscal year in which the first withdrawal was made under the Project. The audited Financial Statements for each such period shall be furnished to the Recipient, the Association and the Inter-University Council for East Africa not later than six months after the end of such period.

Section III. Procurement

A. General

1. **Goods, Works and Non-consulting Services.** All goods, works and non-consulting 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 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 Sections II and III of the Procurement Guidelines, or Sections II, III, IV and V of the Consultant Guidelines, as the case may be.

B. Particular Methods of Procurement of Goods, Works and Non-consulting Services

1. **International Competitive Bidding.** Except as otherwise provided in paragraph 2 below, goods, works and non-consulting services shall be procured under contracts awarded on the basis of International Competitive Bidding.

2. **Other Methods of Procurement of Goods, Works and Non-consulting Services.** The following methods, other than International Competitive Bidding, may be used for procurement of goods, works and non-consulting services for those contracts specified in the Procurement Plan: (a) Limited International Bidding; (b) National Competitive Bidding, subject to the additional provisions referred to in subparagraph 3 below; (c) Shopping; (d) procurement under Framework Agreements in accordance with procedures which have been found acceptable to the Association; and (e) Direct Contracting.

3. **Additional Provisions for National Competitive Bidding.** The procurement procedure to be followed for National Competitive Bidding ("NCB") shall be the open bidding procedure set forth in the Public Procurement Act, 2008, Act. No.12 of 2008, as amended by the Public Procurement (Amendment) Act, 2011, Act No. 15 of 2011 (the "PPA"), and the Public Procurement Regulations, 2011, Statutory Instrument No. 63 of 2011 (the "Regulations"); provided, however, that such

procedure shall be subject to the provisions of Section I and Paragraphs 3.3 and 3.4 of Section III, and Appendix 1 of the "Guidelines for Procurement of Goods, Works, and Non-Consulting Services under IBRD Loans and IDA Credits & Grants by World Bank Borrowers" (January 2011) (Revised July 2014) (the "Procurement Guidelines"), and the additional provisions in the following paragraphs:

(a) *Eligibility:* Eligibility to participate in a procurement process and to be awarded an Association-financed contract shall be as defined under Section I of the Procurement Guidelines; accordingly, no bidder or potential bidder shall be declared ineligible for contracts financed by the Association for reasons other than those provided in Section I of the Procurement Guidelines. No restriction based on nationality of bidders and/or origin of goods shall apply, and foreign bidders shall be allowed to participate in NCB without application of restrictive conditions, such as, but not limited to, mandatory partnering or subcontracting with national entities.

(b) *Domestic Preference:* No margins of preference of any sort shall be applied in the bid evaluation.

(c) *Bidding Documents:* Procuring entities shall use bidding documents acceptable to the Association.

(d) *Bid validity:* An extension of bid validity, if justified by exceptional circumstances, may be requested in accordance with Appendix 1 of the Procurement Guidelines. A corresponding extension of any bid guarantee shall be required in all cases of extension of bid validity. A bidder may refuse a request for extension of bid validity without forfeiting its bid guarantee.

(e) *Qualification:* Qualification criteria shall be clearly specified in the bidding documents. All criteria so specified, and only such specified criteria, shall be used to determine whether a bidder is qualified. Qualification shall be assessed on a "pass or fail" basis, and merit points shall not be used. Such assessment shall be based entirely upon the bidder's or prospective bidder's capability and resources to effectively perform the contract, taking into account objective and measurable factors, including: (i) relevant general and specific experience, and satisfactory past performance and successful completion of similar contracts over a given period; (ii) financial position; and (iii) where relevant, capability of construction and/or manufacturing facilities.

(f) Prequalification procedures and documents acceptable to the Association shall be used for large, complex and/or specialized works. Verification of the information upon which a bidder was

prequalified, including current commitments, shall be carried out at the time of contract award, along with the bidder's capability with respect to personnel and equipment. Where pre-qualification is not used, the qualification of the bidder who is recommended for award of contract shall be assessed by post- qualification, applying the qualification criteria stated in the bidding documents.

(g) *Bid Evaluation:* All bid evaluation criteria other than price shall be quantifiable in monetary terms. Merit points shall not be used, and no minimum point or percentage value shall be assigned to the evaluation criteria or significance of price in bid evaluation. No negotiations shall be permitted.

(h) *Guarantees:* Guarantees shall be in the format, shall have the period of validity and shall be submitted when and as specified in the bidding documents.

(i) *Cost Estimates:* Detailed cost estimates shall be confidential and shall not be disclosed to prospective bidders. No bids shall be rejected on the basis of comparison with the cost estimates without the Association's prior written concurrence.

(j) *Rejection of bids and re-bidding:* No bid shall be rejected solely because it falls outside of a predetermined price range or exceeds the estimated cost. All bids (or the sole bid if only one bid is received) shall not be rejected, the procurement process shall not be cancelled, and new bids shall not be solicited without the Association's prior written concurrence.

(k) *Fraud and corruption:* In accordance with the Procurement Guidelines, each bidding document and contract shall include provisions stating the Association's policy to sanction firms or individuals found to have engaged in fraud and corruption as set forth in the Procurement Guidelines.

(l) *Inspection and audit rights:* In accordance with the Procurement Guidelines, each bidding document and contract shall include provisions stating the Bank's policy with respect to inspection and audit of accounts, records and other documents relating to the submission of bids and contract performance.

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 methods, other than Quality and Cost-based Selection, may be used for procurement of consultants' services for those contracts which are specified in the Procurement Plan: (a) Quality-based Selection; (b) Selection under a Fixed Budget; (c) Least Cost Selection; (d) Selection based on Consultants' Qualifications; (e) Single-source Selection of consulting firms; (f) Procedures set forth in paragraphs 5.2 and 5.3 of the Consultant Guidelines for the Selection of Individual Consultants; and (g) Single-source procedures for the 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.

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 Credit to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category:

Category	Amount of the Credit Allocated (expressed in SDR)	Percentage of Expenditures to be Financed (inclusive of Taxes)
(1) Eligible Expenditure Programs under Part 1 of the Project for the Africa Centers of Excellence	8,700,000	100% of amounts spent in compliance with DLI and DLR amounts set out in Schedule 4 of this Agreement as reported under the EEP Spending Reports for each Withdrawal
TOTAL AMOUNT	8,700,000	

B. Withdrawal Conditions; Withdrawal Period

1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made:

   (a) for payments made prior to the date of this Agreement; or

   (b) for any DLI or DLR until and unless the Association has received from the Independent Verifiers, the EEP Spending Reports confirming that the DLI and DLR have been achieved and containing a proposal for disbursement under each Withdrawal.

2. With respect to the withdrawals under Category (1), payments shall be made on a bi-annual basis each year during Project implementation upon timely submission by the Recipient of a withdrawal request acceptable to the Association, such withdrawal request shall include evidence in form and substance acceptable to the Association of: (i) EEPs incurred for the period preceding the withdrawal request as presented in the EEP Spending Reports; and (ii) supporting documentation confirming that the African Centers of Excellence have complied with the respective DLIs and DLRs, as verified by the Independent Verifiers.

3. Notwithstanding the provisions of paragraph 1 and 2 of this Section, if the Association is not satisfied that a particular DLI has been fully achieved, the Association may, at its discretion: (i) authorize the withdrawal of such lesser amount of the unwithdrawn proceeds allocated to said DLI, which in the opinion of the Association corresponds to the degree of achievement of such DLI; (ii) authorize the unwithdrawn amount by which such disbursement has been reduced due to partial achievement of a DLI, be carried forward to subsequent Withdrawals; and/or (iii) cancel all or portion of the proceeds of the Financing allocated to such DLI.

4. If, at any time, the Association determines that any portion of the Financing under the Project was used for items improperly procured in violation of Section III to this Schedule, was not used for Eligible Expenditures or, in case of the Eligible Expenditure Programs of Part 1 of the Project, was not supported by evidence of actual spending by the Recipient or the Eastern and Southern African Higher Education Institutions under said Eligible Expenditure Programs and/or by evidence of satisfaction of other criteria set forth in this Agreement or in the Project Operational Manual, the Recipient shall refund any such portion to the Association as the Association shall specify by notice to the Recipient. The Association may, at its own discretion, cancel such refunded amount.

5. The Closing Date is December 31, 2022.

Section V. Other Undertakings

By June 30, 2019, or such other date as the Association shall agree upon, the Recipient through the Project Implementation Teams shall: (i) carry out jointly with the Association, the Regional Steering Committee, the Eastern and Southern African

Higher Education Institutions, the Inter-University Council for East Africa, and the National Steering Committee, a mid-term review of the implementation of operations under the Project, which shall cover the progress achieved in the implementation of the Project; and (ii) following such mid-term review, act promptly and diligently to take any corrective action as shall be agreed by the Association.

SCHEDULE 3

Repayment Schedule

Date Payment Due	Principal Amount of the Credit repayable (expressed as a percentage)*
On each February 15 and August 15, commencing August 15, 2022 to and including February 15, 2054	1.5625%

* The percentages represent the percentage of the principal amount of the Credit to be repaid, except as the Association may otherwise specify pursuant to Section 3.03(b) of the General Conditions.

SCHEDULE 4

Disbursement Linked Indicators

Disbursement Linked Indicator	**Action to Be Completed**	**Amount of the Financing Allocated Per DLI (expressed in SDR)**	**Amount Allocated per DLR for the Disbursement Calculation (expressed in SDR)**
DLI 1. Institutional readiness	DLR 1.1. Signing of the Performance and Funding Agreements and establishment of the National Steering Committee	DLI 1. 1,600,000	DLR 1.1. 850,000
	DLR 1.2. Development of the Project Implementation Plan		DLR 1.2. 750,000
DLI 2. Excellence in education and research capacity and development impact	DLR 2.1. Timely implementation of Annual Work Programs	DLI 2. 6,200,000	DLR 2.1. 750,000
	DLR 2.2. Newly enrolled students in the ACE of which at least 20% must be regional African students		DLR 2.2. 1,700,000
	DLR 2.3. Quality accreditation for education programs		DLR 2.3. 850,000
	DLR 2.4. Partnerships for collaboration in applied research and training		DLR 2.4. 300,000
	DLR 2.5. Peer-reviewed journal papers or peer-reviewed conference papers prepared collaboratively with national, regional or international co-authors		DLR 2.5. 400,000
	DLR 2.6. Faculty and PhD student exchanges to promote regional research and teaching collaborations		DLR 2.6. 750,000
	DLR 2.7. External revenue generation		DLR 2.7. 1,300,000
	DLR 2.8. Institution participating in benchmarking exercise		DLR 2.8. 150,000

DLI 3. Timely, transparent and institutionally reviewed Financial Management	DLR 3.1. Timely Withdrawal applications supported by interim unaudited financial reports for each ACE	DLI 3. 450,000	DLR 3.1. 120,000
	DLR 3.2. Functioning audit committee under each Eastern and Southern African Higher Education Institution		DLR 3.2. 110,000
	DLR 3.3. Functioning internal audit unit for each Eastern and Southern African Higher Education Institution		DLR 3.3. 110,000
	DLR 3.4. Transparency of financial management (audit reports, interim unaudited financial reports, budgets and Annual Work Programs are all web accessible)		DLR 3.4. 110,000
DLI 4. Timely and audited Procurement for each ACE	DLR 4.1. Timely procurement audit report for each ACE	DLI 4. 450,000	DLR 4.1. 225,000
	DLR 4.2. Timely and satisfactory procurement progress report for each ACE		DLR 4.2. 225,000

APPENDIX

Section I. Definitions

1. "Africa Centers of Excellence" or "ACE" means the academic centers within the Eastern and Southern African Higher Education Institutions essentially in the areas of science, technology, engineering, and mathematics, as well as the agriculture and health sciences, applied statistics, education, or any other area as per the needs to comprehensively address the development challenge of the proposed center and as established in the Project Operations Manual.

2. "Annual Work Program" means the annual work program to be prepared by the Recipient in cooperation with the Eastern and Southern African Higher Education Institutions not later than November 30 in each calendar year during Project implementation including a program of activities and budget proposed for inclusion in the Project during the following fiscal year.

3. "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, and revised in January 2011.

4. "Category" means a category set forth in the table in Section IV of Schedule 2 to this Agreement.

5. "Consultant Guidelines" means the "Guidelines: Selection and Employment of Consultants under IBRD Loans and IDA Credits and Grants by World Bank Borrowers" dated January 2011 and revised in July 2014.

6. "Disbursement-Linked Indicators" or "DLIs" means a set of indicators as specified in Schedule 4 to this Agreement.

7. "Disbursement-Linked Results" or "DLRs" means a set of quantitative results associated with each DLI as specified in Schedule 4 to this Agreement.

8. "East African Community" is a regional intergovernmental organization of the Republics of Burundi, Kenya, Rwanda, Uganda, South Sudan and the United Republic of Tanzania with its headquarters in Arusha, as established on July 7, 2000, through the entry into force of the Treaty for the Establishment of the East African Community.

9. "Eastern and Southern African Higher Education Institutions" means collectively the Copperbelt University established in the Recipient's city of Kitwe, and the University of Zambia established in the Recipient's city of Lusaka, both located in the Recipient's territory which are among the selected universities in the region to produce highly skilled graduates and applied research to help address specific regional development challenges, and 'Eastern and Southern African Higher Education Institution" means any of these universities.

10. "Eastern and Southern African Higher Education Institutions' Legislation" means the Recipient's Universities Act, Cap 346 of 2005 granting their respective accreditations to the Nelson Mandela African Institution of Science and Technology and the Sokoine University of Agriculture.

11. "EEP" or "Eligible Expenditure Programs" means a set of defined expenditures for goods, works, consulting and non-consulting services, Training and Operating Costs (including salaries and scholarships) made by the Recipient for the Eastern and Southern African Higher Education Institutions or by the Eastern and Southern African Higher Education Institutions for Part 1 of the Project.

12. "EEP Spending Reports" means the bi-annual reports to be sent to the Association, the National Steering Committee and IUCEA, prepared by the Independent Verifiers in accordance with the details provided in the Project Operational Manual to make disbursement recommendations for each Withdrawal based on the spending status of the Eligible Expenditure Programs under Part 1 of the Project and the compliance with the Disbursement-Linked Indicators.

13. "Environmental and Social Management Plan" means a document dated February 2016 adopted by the Recipient and the Eastern and Southern African Higher Education Institutions which outlines general implementation procedures, mitigation measures and monitoring procedures for environmental and social purposes under the Project, as said plan may be amended from time to time with the Association's prior written approval.

14. "General Conditions" means the "International Development Association General Conditions for Credits and Grants", dated July 31, 2010.

15. "Independent Verifiers" means the independent verifiers referred to in Section I.C of Schedule 2 to this Agreement, recruited by the Inter-University Council for East Africa in order to prepare the EEP Spending Reports.

16. "Inter-University Council for East Africa" or "IUCEA" means the regional facilitation entity for the Project, an entity established in 2002 as an institution of the East African Community through the Protocol on the Establishment of the Inter-University Council for East Africa with the mandate to develop and coordinate higher education and research.

17. "IUCEA Financing Agreement" means the financing agreement signed between the Association and IUCEA for the purposes of implementing Parts 2 and 3 of the Project.

18. "National Steering Committee" means a committee to be chaired by a representative from the Recipient's ministry in charge of higher education, with representatives from, *inter alia*, the Recipient's ministry in charge of finance and from the Eastern and Southern African Higher Education Institutions, to be established by the Recipient to hold semi-annual reviews of performance and implementation, including approvals of Annual Work Programs, as further described in the Project Implementation Plan.

19. "Network Partners" means collectively the national, regional or international academic and non-academic institutions working with the Eastern and Southern African Higher Education Institutions and which have carried out one or several Partnerships with said Eastern and Southern African Higher Education Institutions.

20. "Operating Costs" means recurrent costs of the Project: (i) operation and maintenance of vehicle, repairs, rental, fuel and spare parts; (ii) computer maintenance, including hardware and software; (iii) communication costs and shipment costs (whenever these costs are not included in the cost of goods); (iv) small office supplies; (v) rent and maintenance for office facilities; (vi) utilities and insurances; (vii) travel, accommodation and per diem costs for technical staff carrying out training, preparatory, supervisory and quality control activities; and (viii) salaries of Eastern and Southern African Higher Education Institutions' faculty and staff.

21. "Partnerships" means any type of partnership or collaboration to be carried out through an agreement or memorandum of understanding, or any other instrument to be signed between the Eastern and Southern African Higher Education Institutions and the Network Partners pursuant to which the parties shall cooperate in an area of common interest, including applied research or training.

22. "Performance and Funding Agreements" means the agreements to be signed between the Recipient and the Eastern and Southern African Higher Education Institutions pursuant to which the Recipient shall make part of the proceeds of the Financing available to the Eastern and Southern African Higher Education Institutions for the implementation of the Project.

23. "Procurement Guidelines" means the "Guidelines: Procurement of Goods, Works and Non-consulting Services under IBRD Loans and IDA Credits and Grants by World Bank Borrowers" dated January 2011 and revised in July 2014.

24. "Procurement Plan" means the Recipient's procurement plan for the Project, to be provided if and when required under the Project, and referred to in paragraph 1.18 of the Procurement Guidelines and paragraph 1.25 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.

25. "Project Implementation Plan" means the implementation plan for the Project to be adopted by the Eastern and Southern African Higher Education Institutions through ACE's for the implementation of the Project, including, inter alia: (i) the terms of reference, functions and responsibilities for the members of the Project Implementation Teams and the personnel of the Eastern and Southern African Higher Education Institutions working on the Project; (ii) the procurement and financial management procedures under the Project; (iii) the indicators to be used in the monitoring and evaluation of the Project; (iv) the criteria, detailed rules and procedures for the EEPs; (v) the detailed content of the EEP Spending Report, the customized statements of expenditures, the interim financial reports, and the Project

Reports; (vi) the flow of funds and disbursement arrangements; and (vii) the Disbursement-Linked Indicators, as said plan may be amended from time to time with the Association's prior approval.

26. "Project Implementation Teams" means the teams within the administrative structure of the Eastern and Southern African Higher Education Institutions led by the Africa Centers of Excellence, to be created by said institutions and in charge of the day-to-day management of the Project.

27. "Project Operational Manual" means the manual to be adopted by the Inter-University Council for East Africa and communicated to the Recipient for the implementation of regional initiatives under Parts 2 and 3 of the Project, including, inter alia: (i) the terms of reference, functions and responsibilities for the members or the personnel of the Regional Steering Committee and the Project unit for the Inter-University Council for East Africa; (ii) the procedures for procurement of goods, non-consulting services, consultants' services, Operating Costs, and Training, as well as for financial management and audits; (iii) the indicators to be used in the monitoring and evaluation of the regional initiatives under Parts 2 and 3 of the Project; (iv) the terms of reference for the Independent Verifiers; (v) the detailed content of the EEP Spending Reports; (vi) the DLIs and DLRs; and (vii) the grievance mechanisms, as said manual may be amended from time to time with the Association's prior and written approval.

28. "Regional Steering Committee" means the Regional Steering Committee for the Project, operating in cooperation with IUCEA in charge of providing overall guidance and oversight for the regional initiatives under Parts 2 and 3 of the Project established by the Participating Countries for the purposes of the Project on April 27, 2015.

29. "Training" means the reasonable cost of training of persons involved in Project-supported activities, based on the Annual Work Program approved by the Association, such term including scholarships, seminars, workshops, and study tours, and costs associated with such activity including travel and subsistence costs for training participants, costs associated with securing the services of trainers, rental of training facilities, preparation, acquisition and reproduction of training materials, and other costs directly related to training preparation and implementation.

30. "Withdrawal" means each withdrawal under Category (1) of the table in Section IV of Schedule 2 to this Agreement.