Financing Agreement

(Cash Transfer for Orphans and Vulnerable Children Project)

between

REPUBLIC OF KENYA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated May 8, 2009
CREDIT NUMBER 4553-KE

FINANCING AGREEMENT

AGREEMENT dated May 8, 2009, entered into between REPUBLIC OF KENYA (“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 thirty three million Special Drawing Rights (SDR 33,000,000) (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 theWithdrawn Credit Balance shall be equal to three-fourths of one percent (3/4 of 1%) per annum.

2.05. The Payment Dates are May 15 and November 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 the Dollar.

**ARTICLE III — PROJECT**

3.01. The Recipient declares its commitment to the objectives of the Project and the Program. To this end, the Recipient shall carry out the Project through its MGCSD 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) As a result of an event which has occurred after the date of this Agreement, an extraordinary situation has arisen which makes it improbable that the Program, or a substantial part of the Program, can be carried out.

(b) A Payment Service Provider has failed to perform any of its obligations under its Service Agreement with the Recipient.

(c) (i) An action has been taken for the dissolution, disestablishment or suspension of the operation of a Payment Service Provider; (ii) a Payment Service Provider has ceased to exist in the same legal form as that prevailing as of the date of signature of its Service Agreement with the Recipient; or (iii) in the opinion of the Association, the legal character, ownership or control of a Payment Service Provider has changed from that prevailing as of the date of signature of its Service Agreement with the Recipient, so as to materially and adversely affect the ability of the Recipient or of the Payment Service Provider to perform any of its obligations arising under, or entered into pursuant to, the Financing Agreement or the Service Agreement, or to achieve the objectives of the Project.
4.02. The Additional Event of Acceleration consists of the following:

(a) Any event specified in Section 4.01 of this Agreement occurs and is continuing for a period of thirty (30) days.

ARTICLE V — EFFECTIVENESS; TERMINATION

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

(a) The Recipient has installed a computer accounting software integrated into the management information system in DCS for the purpose of managing the Project, and has caused such integrated computer accounting software to be made operational, including with adequately trained staff, all in a manner satisfactory to the Association.

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 twenty years after the date of this Agreement.
ARTICLE VI — REPRESENTATIVE; ADDRESSES

6.01. The Recipient’s Representative is the Minister at the time responsible for Finance.

6.02. The Recipient’s Address is:

Ministry of Finance
P.O Box 30007-00100
Nairobi
Kenya

Cable address: FINANCE
Facsimile: 254-20-330-426
NAIROBI 254-20-218-475

6.03. The Association’s Address is:

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

Cable: INDEVAS
Telex: 248423 (MCI)
Facsimile: 1-202-477-6391
Washington, D.C.
AGREED at Nairobi, Kenya, as of the day and year first above written.

REPUBLIC OF KENYA

By /s/ Uhuru Kenyatta

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Johannes C. M. Zutt

Authorized Representative
SCHEDULE 1

Project Description

The objective of the Project is to increase social safety net access for extremely poor OVC households, through an effective and efficient expansion of the Program.

The Project, which constitutes part of the third phase of the Program, consists of the following parts:

Part 1: Policy Development and Institutional Strengthening

Strengthening the capacity of entities involved in the implementation of the Program, by:

(a) Strengthening of the MGCSD’s capacity to coordinate social protection interventions on the Recipient’s territory, including through: (i) supporting the development of a policy framework to better coordinate existing social protection programs and support the overall planning and coordination of social interventions; (ii) establishing a social protection sector group within the MGCSD and supporting the Social Protection Secretariat in the MGCSD; and (iii) testing alternative response mechanisms for OVC and other social protection programs;

(b) Strengthening the capacity of the DCS, at national, provincial, district and local levels, to more efficiently manage the Program, including through capacity strengthening in administration, management, coordination, and monitoring and evaluation;

(c) Improving governance and accountability, including through (i) the implementation of the Recipient’s information awareness campaign and communication strategy on the Program, and (ii) the enhancement of the oversight and accountability systems; and

(d) Improving the information management, financial management, payment mechanisms, monitoring and evaluation of the Program.
Part 2: Program Implementation in Selected Districts

Strengthening the ability of vulnerable households to protect and care for OVC, ensuring that OVC stay within their communities and can be cared for effectively, by:

(a) Providing Cash Transfers to selected households; and

(b) Supporting transaction costs for transferring Cash Transfers to Beneficiaries.
Section I. Implementation Arrangements

A. Institutional Arrangements

The Recipient shall maintain the following implementation arrangements, as further described in the Operational Manual, throughout the implementation of the Project:

1. The National Steering Committee
   (a) The National Steering Committee for OVC shall be responsible for the provision of policy guidance on key issues related to the Program.

2. The Department of Children Services
   (a) Within the DCS, the Central Program Unit, the Provincial Children Offices, and the District Children Offices, each with functions, staffing and resources satisfactory to the Association, shall be responsible for the implementation of the Project.
   (b) The Central Program Unit shall have the overall responsibility for Project management and administration. The Central Program Unit shall manage, coordinate, monitor and oversee the Project, and coordinate with the Payment Service Providers and Provincial Children Offices. The Central Program Unit shall be responsible for: (i) the preparation of annual work programs and budgets; (ii) the preparation of quarterly and annual progress management reports; and (iii) procurement and financial management functions (including regular updates of the Procurement Plan).
   (c) District Children Offices shall be responsible for the local implementation of the Project, and coordination with the Central Program Unit, and among the Beneficiaries and entities providing health, education and civil registration services locally. With the support of local stakeholders, the District Children Offices shall: (i) promote the Program through outreach activities; (ii) participate in the Program targeting process; (iii) support families through case management; (iv) participate in monitoring and evaluation; and (v) handle appeals and complaints.
B. Anti-Corruption

(a) The Recipient shall ensure that, throughout its implementation, the Project is carried out in accordance with the provisions of the Anti-Corruption Guidelines.

(b) Without limitation to the provisions of paragraph (a), the Recipient shall ensure that the Recipient’s agencies and service providers which are required to provide services under the Project, including, without limitation, Payment Service Providers, are made aware of the requirements of the Anti-Corruption Guidelines and take all actions necessary to support the carrying out of the Project in accordance with such requirements.

C. Framework and Manuals

(a) The Recipient shall ensure that, throughout its implementation, the Project shall be carried out in accordance with the provisions of the Operational Manual and the Institutional Risk Management Policy Framework.

(b) Unless the Recipient and the Association shall otherwise agree in writing, the Recipient shall not amend or waive any provision of the Operational Manual or the Institutional Risk Management Policy Framework in a manner which, in the opinion of the Association, could have a material adverse impact on the implementation of the Project.

D. Annual Work Programs

No later than April 30, 2009, and no later than April 30 each year thereafter, the Recipient shall cause the Central Program Unit to prepare, and furnish to the Association, for the review and approval, a Program annual work program and budget for the next Fiscal Year, including investments, incremental Operating Costs, and amounts needed for the Cash Transfers and Training.

E. Cash Transfers

(a) For the implementation of Part 2 (a) of the Project, the Recipient shall provide, or cause to be provided through one or more Payment Service Providers, Cash Transfers to Beneficiaries in accordance with eligibility criteria and procedures acceptable to the Association, and described in the Operational Manual.
(b) Each Cash Transfer shall be in an amount which the Association and the Recipient are satisfied with and that meets the reasonable cost of maintaining the Beneficiary’s OVC within his or her household.

(c) The Recipient shall ensure that the amount of each Cash Transfer is used by the Beneficiary for its intended purpose.

(d) (i) The Recipient shall conclude and thereafter implement, until it has expired in accordance with its terms, a service agreement, in form and substance satisfactory to the Association, with one or more Payment Service Providers acceptable to the Association for the payment of Cash Transfers to Beneficiaries (each a “Service Agreement”). The Recipient shall ensure that each Service Agreement is: (A) submitted to the Association for its review and approval prior to its signature between the Recipient and a Payment Service Provider; and (B) signed and effective before any proceeds of the Financing is transferred to the Payment Service Provider.

(ii) Without limitation to the provisions of paragraph (i) above, each Service Agreement shall include, *inter alia*, provisions to the effect that:

(A) Unless the Association shall otherwise agree in writing, each Payment Service Provider shall: (i) before its first receipt of funds for the payment of Cash Transfers under the Service Agreement, open and thereafter maintain for a term equal to the term of the Service Agreement plus two years, a separate designated account (the Cash Transfer Fund Account) for the exclusive purpose of depositing funds for Cash Transfers and disbursing funds for the delivery of Cash Transfer in accordance with the provisions of the Service Agreement and the Operational Manual. The Cash Transfer Fund Account shall be opened in a commercial bank acceptable to the Association, upon terms and conditions satisfactory to the Association, including *inter alia* a waiver of any rights said commercial bank or any third party may have to set off, or claim or otherwise appropriate the payment of, any amount from time to time deposited in the Cash Transfer Fund Account in satisfaction of any debt or claim owed to said commercial bank or third party by the Payment Service Provider, and (ii) ensure that all amounts deposited from time to time in the Cash Transfer Fund Account are used exclusively to make Cash Transfer payments to Beneficiaries in accordance with the detailed provisions, procedures, sequencing and timing in relation thereto as set forth in the Operational Manual;

(B) the Payment Service Provider shall maintain records and accounts, in form and substance satisfactory to the Association, adequate
to record all expenditures incurred in the delivery of Cash Transfer payments, and shall retain said records and accounts for at least the term of the Service Agreement plus two years, and shall furnish such records or copies thereof to the Recipient and to the Association upon their respective request;

(C) the Payment Service Provider shall enable the Recipient and the Association to inspect its operations, including the Cash Transfers, and the Cash Transfer Fund Account, and to examine and make copies of all records and documents relating thereto; and

(D) the Payment Service Provider shall prepare and furnish to the Recipient not later than six months after the end of their reporting year to which they relate, Financial Statements, in form and substance satisfactory to the Recipient, audited by an independent auditor, and the relevant audit report (with any information reasonably requested by the Recipient on the audit and the auditor). The Recipient shall be allowed to communicate all such information to the Association if the Association shall so request.

(iii) The Recipient shall exercise its rights under each Service 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 in writing, the Recipient shall not assign, amend, abrogate or waive any Service Agreement or any of its provisions.

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports

1. (a) The Recipient shall monitor and evaluate the progress of the Project, including, without limitation, the Service Agreement(s) and the performance of the Payment Service Provider(s) thereunder, and prepare Project Reports in accordance with the provisions of Section 4.08 of the General Conditions and on the basis of the indicators set forth below in sub-paragraph (b) of this paragraph. Each Project Report shall cover the period of six months, starting on January 1 and July 1 each year, and shall be furnished to the Association not later than one month after the end of the period covered by such report.
(b) The performance indicators referred to above in sub-paragraph (a) consist of the following:

(i) At the end of the Project, the number of additional Beneficiaries receiving timely and predictable Cash Transfers under the Project has reached at least 50,000;

(ii) At the end of the Project, the proportion of Beneficiaries that meet the targeting criteria as measured by the Targeting Differential has reached 50%; and

(iii) At the end of the Project, the proportion of Beneficiaries’ OVC aged six (6) to seventeen (17) who have completed basic education or are enrolled in school for basic education in the districts covered by the Program has increased from 78% to 90%.

2. For purposes of Section 4.08 (c) of the General Conditions, the report on the execution of the Project and related plan required pursuant to that Section shall be furnished to the Association not later than June 30, 2014.

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 and management letter of internal control weaknesses for each such period shall be furnished to the Association not later than six months after the end of such period.
Section III. Procurement

A. General

1. Goods. All goods required for the Project and to be financed out of the proceeds of the 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:

<table>
<thead>
<tr>
<th>Procurement Method</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a) Limited International Bidding</td>
</tr>
<tr>
<td>(b) National Competitive Bidding (*)</td>
</tr>
<tr>
<td>(c) Shopping</td>
</tr>
<tr>
<td>(d) Direct Contracting</td>
</tr>
</tbody>
</table>

(*) Subject to the following provisions of the Recipient’s Public Procurement and Disposal Act, 2005 (no. 3 of 2005) (herein referred to as the “PPDA”), and its
Public Procurement Disposal Regulations, 2006 (herein referred to as the “Regulations”) which are not fully consistent with the Procurement Guidelines and the Consultants Guidelines, and therefore may not be applied for the implementation of the Project:

(i) PPDA 55(2): instead, the tender submission date shall be set so as to allow a period of at least 30 days from the later of (A) the date of advertisement, and (B) the date of availability of the tender documents;

(ii) PPDA 4(2)(c): instead, Recipient’s Government-owned enterprises shall be allowed to participate in the tendering only if they can establish that they are legally and financially autonomous, operate under commercial law and are not a dependent agency of the Recipient’s Government;

(iii) the Recipient shall use, or cause to be used, bidding documents and tender documents (containing, *inter alia*, draft contracts and conditions of contracts, including provisions on fraud and corruption, audit and publication of award) in form and substance satisfactory to the Association.

(iv) PPDA 61(4): instead, extension of tender validity shall be allowed once only, and for not more than thirty (30) days, unless otherwise previously agreed in writing by the Association;

(v) PPDA 66(3)(b): instead, evaluation tender shall be based on quantifiable criteria expressed in monetary terms as defined in the tender documents. It shall not be based on a merit points system.

(vi) PPDA 39: instead, no domestic preference shall be used in the evaluation of tenders.

Therefore, as a result of the non application of PPDA 66(3)(b) and 39, contracts shall be awarded to qualified tenderers having submitted the lowest evaluated substantially responsive tender.

(vii) PPDA 67: instead, notification of contract award shall constitute formation of the contract. No negotiation shall be carried out prior to contract award.

(viii) PPDA 91: instead, Shopping procedure will apply for each low value contracts, in lieu of Direct Procurement, except as otherwise previously agreed in writing by the Association.
(ix) Regulations 47: instead, the two-envelope bid opening procedure shall not apply.

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.

<table>
<thead>
<tr>
<th>Procurement Method</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a) Least Cost Selection</td>
</tr>
<tr>
<td>(b) Selection Based on Consultants’ Qualifications</td>
</tr>
<tr>
<td>(c) Selection of Individual Consultants</td>
</tr>
<tr>
<td>(d) Single Source Selection</td>
</tr>
</tbody>
</table>

3. Shortlist including national consultants only. Contracts for which shortlists may consist exclusively of local consultants pursuant to the provisions of Paragraph 2.7 of the Consultants Guidelines shall be determined in the Procurement Plan on the basis of their nature and availability of firms.

D. Review by the Association of Procurement Decisions

1. Except as the Association shall otherwise determine by notice to the Recipient, the following contracts shall be subject to Prior Review by the Association: (a) each contract for goods estimated to cost the equivalent of $500,000 or more, or procured on the basis of Direct Contracting; (b) each of the first two (2) contracts for goods estimated to cost the equivalent of $500,000 or less; (c) each contract for consultants’ services provided by a firm estimated to cost the equivalent of $200,000 or more, or procured on the basis of Single Source Selection; and (d) each contract for consultants’ services provided by an individual estimated to cost the equivalent of $100,000 or more, or procured on the basis of Single Source Selection. All other contracts shall be subject to Post Review by the Association.
2. Each Training activity shall be carried out on the basis of annual budgets and programs submitted annually by the Recipient for the prior written approval of the Association. Said annual budgets and programs shall identify the general framework of the Training and similar activities for the year, and shall include: (a) the type of Training; (b) the purpose of the Training; (c) the personnel to be trained; (d) the institution or individual which will conduct the Training; (e) the location of the Training; (f) the duration of the proposed Training; (g) the outcome and impact of the Training; and (h) the estimated cost of the Training.

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:

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Financing Allocated (expressed in SDR)</th>
<th>Percentage of Expenditures to be Financed (inclusive of Taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Goods and consultants’ services for the Project, including audits,</td>
<td>6,200,000</td>
<td>100%</td>
</tr>
<tr>
<td>Training, Operating Costs, and fees paid to Payment Service Providers</td>
<td></td>
<td></td>
</tr>
<tr>
<td>in accordance with their respective Service Agreement with the</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Recipient, but excluding Cash Transfers</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(2) Cash Transfers under Part 2 (a) of the Project</td>
<td>24,000,000</td>
<td>100% of amounts disbursed</td>
</tr>
</tbody>
</table>
B. Withdrawal Conditions; Withdrawal Period

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

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

   (b) Under Category (2) until the Recipient shall have: (i) entered into a first Service Agreement in accordance with Section I Part (E)(d) of Schedule 2 to this Agreement, in form and substance satisfactory to the Association; (ii) prepared, or caused to be prepared, terms of reference in form and substance satisfactory to the Association for the purpose of selecting a consultant to carry out a Program baseline and impact evaluation, and (iii) issued, or caused to be issued, the Request for Proposals for the selection of such consultant, in accordance with the provisions of, or referred to in, Section III of this Schedule.

2. The Closing Date is December 31, 2013.

C. Refund

All amounts withdrawn from the Cash Transfer Fund Accounts shall be used exclusively for Cash Transfer payments to Eligible Households in accordance with the terms of the criteria and procedures specified or referred to in this Agreement and the Operational Manual (collectively the “Cash Transfer Expenditures”). If the Association determines, as a result of a financial report, audit, other information referenced in Section II of this Schedule 2 or Section 4.09 of the General Conditions, or otherwise howsoever, that an amount of the Financing withdrawn from any Cash Transfer Fund Account was used to make payment for an expenditure other than a Cash Transfer Expenditure, the Recipient shall, promptly upon notice from the Association, refund an amount of the Financing equal to the amount of such payment to the Association. All amounts so refunded to the Association shall be cancelled.
Section V. Other Undertakings

A. No later than twelve (12) months after the Effective Date, or such later date as may be agreed upon by the Recipient and the Association, the Recipient shall have reviewed the performance of Postal Corporation of Kenya as a Payment Service Provider, developed a strategy for the payment of Cash Transfers under the Project after the date of the review and agreed with the Payment Service Provider(s) on the implementation of such strategy.

B. No later than eighteen (18) months after the Effective Date, or such later date as may be agreed upon by the Recipient and the Association, the Recipient shall have: (i) reviewed the Impact Evaluation Report prepared by Oxford Policy Management with respect to the implementation of the pilot of the second phase of the Program, and (ii) prepared an action plan for the implementation of the recommendations contained in said Impact Evaluation Report, in form and substance satisfactory to the Association and the Recipient.

C. The Recipient shall cause periodic internal audits of the Program to be carried out by the Internal Audit Department of the Recipient’s ministry responsible for finance, covering a first period between the first disbursement under this Agreement and June 30, 2009 and thereafter, each six month period from January 1 to June 30 and from July 1 to December 31 each year, starting on July 1, 2009 until the completion of the Project.

D. No later than twenty-four (24) months after the Effective Date, or such later date as may be agreed upon by the Recipient and the Association, the Recipient shall carry out a mid-term review of the Project, covering the progress achieved in the implementation of the Project. The Recipient shall prepare, under terms of reference satisfactory to the Association, a report integrating the results of the monitoring and evaluation activities performed pursuant to this Agreement and, on the progress achieved in the carrying out of the Project during the period preceding the date of such report. Such report shall also set out the measures recommended to ensure the efficient carrying out of the Project and the achievement of the objective of the Project during the period following such date. Such report shall be furnished by the Recipient to the Association three (3) months before the beginning of such mid-term review of the Project, or on such other date agreed upon with the Association in writing. After assessment and evaluation by the Association, the Recipient and the Association shall agree on the revisions to be reflected in the implementation of the remainder of the Project until the Closing Date and the assessment of the support needed to ensure the sustainability of the Project after the Closing Date.
E. The Recipient shall ensure that the Association is promptly informed of any development in the legislation or regulations of the Recipient, and/or the rules and procedures of the Recipient, including information relevant to the Program, or any other event that may affect the performance of the Project or the realization of its objectives.

F. The Recipient shall ensure that under each budget proposal to its Parliament for the corresponding year during Project implementation, adequate arrangements are made by the Recipient to assume such portion of the costs related to Cash Transfers, required to achieve the objectives of the Program.
SCHEDULE 3

Repayment Schedule

<table>
<thead>
<tr>
<th>Date Payment Due</th>
<th>Principal Amount of the Credit repayable (expressed as a percentage)*</th>
</tr>
</thead>
<tbody>
<tr>
<td>On each May 15 and November 15:</td>
<td></td>
</tr>
<tr>
<td>commencing May 15, 2019 to and including November 15, 2028</td>
<td>1%</td>
</tr>
<tr>
<td>commencing May 15, 2029 to and including November 15, 2048</td>
<td>2%</td>
</tr>
</tbody>
</table>

* 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.
APPENDIX

Section I. Definitions


2. “Beneficiary” means an Eligible Household (as hereinafter defined) that has been selected and has enrolled to receive Cash Transfers (as hereinafter defined) under the Project.

3. “Cash Transfer” means a transfer of funds in the form of a non-refundable grant by the Recipient to a Beneficiary, made or to be made in accordance with the provisions of the Operational Manual and a Service Agreement, with the aim of relieving the economic burden of caring for an OVC and to reduce the cost of the OVC accessing basic education, health and birth registration services (as some of these expressions are hereinafter defined).

4. “Cash Transfer Expenditures” has the meaning ascribed to that term in Part C of Section IV of Schedule 2 to this Agreement.

5. “Cash Transfer Fund Account” means the segregated account opened by a Payment Service Provider (as hereinafter defined) in accordance with the provisions of Section I, Part E, paragraph (d) (ii) (A) of Schedule 2 to this Agreement.

6. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.

7. “Central Program Unit” means the unit established within the Department of Children Services (as hereinafter defined), for the purpose of managing the Program’s overall operation.


9. “Department of Children Services” or “DCS” means the Department of Children Services in the MGCSD (as hereinafter defined).
10. “District Children Offices” means, collectively, the offices established by the DCS in the Recipient’s districts.

11. “Eligible Household” means a household on the Recipient’s territory, which meets the eligibility criteria for receipt of Cash Transfers set forth in the Operational Manual.

12. “Fiscal Year” means a period of twelve consecutive months from July 1 to the next June 30.

13. “General Conditions” means the “International Development Association General Conditions for Credits and Grants”, dated July 1, 2005 (as amended through October 15, 2006), with the modifications set forth in Section II of this Appendix.

14. “Institutional Risk Management Policy Framework” means the Recipient’s set of procedures and guidelines, developed and adopted to identify and mitigate risks at all levels of the implementation of the Project, including at the community level.

15. “MGCSD” means the Recipient’s Ministry responsible for Gender, Children and Social Development.

16. “National Steering Committee” means the Recipient’s committee established by the Recipient dated February 12, 2009 for the purpose of managing its policies and strategies for the support of the OVC.

17. “Operating Costs” means the incremental operating expenses, based on annual budgets approved by the Association, incurred by the Central Program Unit, the Provincial Children Offices and the District Children Offices, on account of operation and maintenance costs of office, vehicles and office equipment; telephone, office supplies, bank charges, travel and supervision costs and per diem, but excluding the salaries of officials and public servants of the Recipient’s civil service.

18. “Operational Manual” means the Recipient’s manual for the implementation of the Program, dated February 9, 2009, which contains, inter alia, (a) the organizational structure of the Program, including the roles and responsibilities of each entity or agency involved in its implementation, (b) the operational cycle of the Program including eligibility criteria, detailed rules and procedures for the Cash Transfer payments, a manual of financial procedures including details of procurement and disbursement arrangements, (c) arrangements for environmental
and social monitoring and mitigation, (d) the indicators to be used in the monitoring and evaluation of the Program, (e) the supervision, monitoring and evaluation procedures, and (f) other administrative and organizational arrangements, as shall have been agreed with the Association for purposes of Project implementation, as the same may be amended from time to time with the prior written agreement of the Association, and such term includes any schedules to the Operational Manual.

19. “Orphans and Vulnerable Children” and “OVC” mean children under eighteen (18) years old, who: (i) are single or double orphan, (ii) are chronically ill or who have a caregiver who is chronically ill, or (iii) live in a child-headed household.

20. “Payment Service Provider” a person or entity that has entered into a Service Agreement (as hereinafter defined) with the Recipient in accordance with the provisions of Section I, Part E, paragraph (d) of Schedule 2 to this Agreement.


22. “Procurement Plan” means the Recipient’s procurement plan for the Project, dated February 11, 2009 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.

23. “Program” means the Recipient’s program designed to strengthen the capacities of approximately 100,000 households to take care of OVC by 2012, including through a cash transfer program.

24. “Provincial Children Offices” means, collectively, the offices established by the DCS in the Recipient’s provinces.

25. “Service Agreement” has the meaning ascribed to that expression in Section I, Part E(d)(i) of Schedule 2 to this Agreement.

26. “Targeting Differential” means a targeting differential equal to 1 – (T1 + T2), where:

a. T1 is the inclusion error, i.e. the proportion of (i) households that receive Cash Transfers under the Program even though they do not comply with
the eligibility criteria defined in the Operational Manual, out of (ii) all households receiving Cash Transfers under the Program, and

b. T2 is the exclusion error, i.e. the proportion of (i) households that comply with the eligibility criteria defined in the Operational Manual but are nevertheless not receiving Cash Transfers under the Program, out of (ii) all households receiving Cash Transfers under the Program.

27. “Training” means the training of persons involved in Project-supported activities, based on annual budgets approved by the Association pursuant to Section I (D) and Section III of Schedule 2 to this Agreement, such term including seminars, workshops, conference and study tours, and costs associated with such activity include travel and subsistence costs for Training participants, costs of securing the services of trainers, rental of Training facilities, preparation and reproduction of Training materials and other costs directly related to course preparation and implementation.

Section II. Modifications to the General Conditions

The modifications to the General Conditions for Credits and Grants of the Association, dated July 1, 2005 (as amended through October 15, 2006) are as follows:

1. Paragraph (a) of Section 2.05 of the General Conditions is amended to read as follows:

“(a) the payment is for the financing of Cash Transfers (as such term is defined in the Financing Agreement) or the reasonable cost of goods, works or services required for the Project, to be financed out of the proceeds of the Financing and procured, all in accordance with the provisions of the Legal Agreements.”

2. Section 2.07 is modified to read as follows:

“Section 2.07. Refinancing Preparation Advance

If the Financing Agreement provides for the repayment out of the proceeds of the Financing of an advance made by the Association or the Bank (“Preparation Advance”), the Association shall, on behalf of the Recipient, withdraw from the Financing Account on or after the Effective Date the amount required to repay the withdrawn and outstanding balance of the advance as at the date of such withdrawal from the Financing Account and to pay all accrued and
unpaid charges, if any, on the advance as at such date. The Association shall pay
the amount so withdrawn to itself or the Bank, as the case may be, and shall
cancel the remaining unwithdrawn amount of the advance.”

3. Paragraph (i) of Section 6.02 is modified to read as follows:

“Section 6.02. Suspension by the Association

... (l) Ineligibility. The Association or the Bank has declared the Project
Implementing Entity ineligible to receive proceeds of any financing made by the
Association or the Bank or otherwise to participate in the preparation or
implementation of any project financed in whole or in part by the Association or
the Bank, as a result of a determination by the Association or the Bank that the
Project Implementing Entity has engaged in fraudulent, corrupt, coercive or
collusive practices in connection with the use of the proceeds of any financing
made by the Association or the Bank.”

4. The following terms and definitions set forth in the Appendix are modified or
deleted as follows, and the following new terms and definitions are added in
alphabetical order to the Appendix as follows, with the terms being renumbered
accordingly:

(a) The term “Project Preparation Advance” is modified to read “Preparation
Advance” and its definition is modified to read as follows:

“‘Preparation Advance’ means the advance referred to in the Financing
Agreement and repayable in accordance with Section 2.07.”