Financing Agreement

(LISUNGI - Safety Nets System Project)

between

REPUBLIC OF CONGO

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated Feb 19, 2014
FINANCING AGREEMENT

AGREEMENT dated 4 Sq, 2014, entered into between REPUBLIC OF CONGO ("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 one million four hundred thousand Special Drawing Rights (SDR1,400,000) (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 The Service Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to three-fourths of one percent (3/4 of 1%) per annum.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 The Interest Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to one and a quarter percent (1.25%) per annum.

2.06. The Payment Dates are June 15 and December 15 in each year.

2.07. The principal amount of the Credit shall be repaid in accordance with the repayment schedule set forth in Schedule 3 to this Agreement.
2.08. The Payment Currency is Dollar.

**ARTICLE III — PROJECT**

3.01. The Recipient declares its commitment to the objective of the Project. To this end, the Recipient shall carry out the Project through the Ministère des Affaires Sociales de l’Action Humanitaire et de la Solidarité 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 - EFFECTIVENESS; TERMINATION**

4.01. The Additional Conditions of Effectiveness consist of the following:

(a) the Recipient has deposited 2,300,000,000 CFA Francs into the Project Counterpart Funds Account in accordance with the provisions of Section I.E of Schedule 2 to this Agreement; and

(b) the Recipient has adopted the Project Implementation Manual in accordance with the provisions of Section I.B.1 of Schedule 2 to this Agreement.

4.02. The Effectiveness Deadline is the date ninety (90) days after the date of this Agreement.

4.03. 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 (20) years after the date of this Agreement.

**ARTICLE V — REPRESENTATIVE; ADDRESSES**

5.01. The Recipient’s Representative is its minister responsible for finance.

5.02. The Recipient’s Address is:

Ministère l’Economie, des Finances, du Plan, du Portefeuille Public et de l’Intégration
Avenue Foch
B.P. 2083
Brazzaville
Republic of Congo
Facsimile:

(242) 2281.43.69

5.03. 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 **Feb 19, 2014**, as of the day and year first above written.

**REPUBLIC OF CONGO**

By

[Signature]

Authorized Representative

Name: **Gilbert Onlango**
Title: **Ministre d'État, Ministre des Finances**

**INTERNATIONAL DEVELOPMENT ASSOCIATION**

By

[Signature]

Authorized Representative

Name: **Eustache Ouayeno**
Title: **Directeur des Opérations**
SCHEDULE 1

Project Description

The objective of the Project is to establish the key building blocks of a national safety net program and pilot a cash transfer program to improve access to health and education services of poorest households in participating areas.

The Project consists of the following parts:

Part 1: Establishment of Key Building Blocks of a National Safety Net Program and Enhancement of Local Capacities

(a) Implementing a program of actions for establishing key building blocks of a national safety net system, including: (i) (A) developing and implementing a management information system, including, among others, supply and installation of appropriate ICT, hardware, software, internet connectivity, local area networks and mobile technology support; (B) developing and maintaining a registry of potential Beneficiaries; (C) developing and implementing a comprehensive information, education and communications strategy at the national and CAS levels; and (D) developing and implementing appropriate monitoring and evaluation systems and procedures; and (ii) provision of Training on information technology skills to users (to the extent not covered under Part 3 below).

(b) Carrying out of studies designed to examine the specific needs of vulnerable groups including the disabled and the indigenous populations.

Part 2: Strengthening the Demand-side of Services through Cash Transfer Program

Piloting of a Cash Transfer Program designed to improve the consumption of Beneficiaries, all through the provision of Cash Transfers and technical advisory services.

Part 3: Project Management, Monitoring and Evaluation

Strengthening the capacity of LISUNGI Project Management Unit for day to day coordination, implementation and management (including, fiduciary aspects, monitoring and evaluation, carrying out of audits and reporting) of Project activities and results, all through the provision of technical advisory services, Training, Operating Costs, non-consulting services and acquisition of goods for the purpose.
SCHEDULE 2

Project Execution

Section I. Institutional and Implementation Arrangements

A. Institutional Arrangements

1. Ministère des Affaires Sociales de l’Action Humanitaire et de la Solidarité

The Recipient shall designate, at all times during the implementation of the Project, the Ministère des Affaires Sociales de l’Action Humanitaire et de la Solidarité (“MASAHS”), to be responsible for prompt and efficient oversight and management of the implementation of activities under the Project, and shall take all actions, including, the provision of funding, personnel and other resources necessary to enable said MASAHS to perform said functions.

2. Comité d’Orientation Stratégique

(a) Without limitation upon the provisions of paragraph (1) immediately above, the Recipient shall establish, and thereafter maintain, at all times during the implementation of the Project, a Comité d’Orientation Stratégique with a composition, mandate and resources satisfactory to the Association, to be responsible for providing strategic and policy guidance on the implementation of the Project.

(b) Without limitation upon the provisions of sub-paragraph (a) immediately above, the Comité d’Orientation Stratégique shall be responsible for, inter alia: (i) reviewing and endorsing the Project’s annual work plan and budget; (ii) reviewing progress made towards achieving the objective of the Project; (iii) facilitating coordination of Project activities and the removal of any obstacle(s) to the implementation of the Project; and (iv) monitoring and evaluating the impacts of Project activities.

3. LISUNGI Project Management Unit

(a) The Recipient shall designate, at all times during the implementation of the Project, the LISUNGI Project Management Unit, to be responsible for, inter alia, prompt and efficient day to day coordination, implementation, reporting and communication of Project activities and results. To this end, the Recipient shall take all actions, including, the provision of funding, personnel (all with qualifications, experience and terms of reference satisfactory to the Association) and other resources satisfactory to the Association, to enable said LISUNGI Project Management Unit to perform said functions.
Without limitation upon the provisions of sub-paragraph (a) of this paragraph, the LISUNGI Project Management Unit shall be responsible for, inter alia: (i) preparing annual work plans and budgets for review and endorsement by the Comité d'Orientationale Stratélique; (ii) the Project's fiduciary aspects (financial management and procurement); (iii) preparing and consolidating periodic progress and financial reports; (iv) monitoring and evaluation of Project activities; (v) liaising with other stakeholders on issues related to Project implementation; and (vi) providing administrative support to implementing agencies.

B. Implementation Arrangements


(a) The Recipient shall prepare, in accordance with terms of reference acceptable to the Association, a Project implementation manual, consisting of: (i) an operational manual, providing details of arrangements and procedures for the implementation of the Project, including: (A) capacity building activities for sustained achievement of the Project's objective; (B) procurement, financial management and disbursement arrangements; (C) institutional administration, coordination and day-to-day execution of Project activities; (D) monitoring, evaluation, reporting, information, education and communication arrangements of Project activities; and (E) such other administrative, financial, technical and organizational arrangements and procedures as shall be required for the Project; (ii) a financial management manual, setting forth the detailed policies and procedures for financial management under the Project; and (iii) a Cash Transfer Program handbook, setting forth the detailed policies and procedures for said program.

(b) The Recipient shall afford the Association a reasonable opportunity to exchange views with the Recipient on said Project implementation manual, and thereafter, shall adopt such Project implementation manual, as shall have been approved by the Association ("Project Implementation Manual").

(c) The Recipient shall ensure that the Project is carried out in accordance with the Project Implementation Manual; provided, however, that in case of any conflict between the provisions of the Project Implementation Manual, on the one hand, and those of this Agreement, on the other, the provisions of this Agreement shall prevail.

(d) The Recipient shall not amend or waive any provisions of the Project Implementation Manual without the prior written agreement of the Association.
2. Annual Work Plan and Budget

(a) The Recipient shall prepare and furnish to the Association not later than December 31 of each Fiscal Year during the implementation of the Project, a work plan and budget containing all activities proposed to be included in the Project during the following Fiscal Year, and a proposed financing plan for expenditures required for such activities, setting forth the proposed sources of financing.

(b) Each such proposed work plan and budget shall specify any Training activities that may be required under the Project, including: (i) the type of Training; (ii) the purpose of the Training; (iii) the personnel to be trained; (iv) the institution or individual who will conduct the Training; (v) the location and duration of the Training; and (vi) the cost of the Training.

(c) The Recipient shall afford the Association a reasonable opportunity to exchange views with the Recipient on each such proposed work plan and budget and thereafter ensure that the Project is implemented with due diligence during said following Fiscal Year in accordance with such work plan and budget as shall have been approved by the Association (“Annual Work Plan and Budget”).

(d) The Recipient shall not make or allow to be made any change to the approved Annual Work Plan and Budget without the Association’s prior approval in writing.

C. Cash Transfer Program

1. Procedures and Eligibility Criteria

No proposed Beneficiary under the Cash Transfer Program shall be eligible to receive a Cash Transfer under said Cash Transfer Program, unless the Recipient shall have determined, on the basis of an appraisal conducted in accordance with guidelines acceptable to the Association and elaborated in the Project Implementation Manual (“PIM”), that the Beneficiary satisfies the following requirements, and such further requirements as are elaborated in said PIM:

(a) the Beneficiary: (i) has been pre-selected on the basis of a targeting system consisting of, inter alia: (A) a geographical targeting mechanism which has identified each District with well-established CAS as eligible to participate in the Cash Transfer Program; (B) a community targeting mechanism which has identified extremely poor or vulnerable households in said District; (C) a proxy means test which has verified said Beneficiary’s eligibility; (D) a random draw process which has selected said Beneficiary; and (E) a validation review process which has confirmed said Beneficiary’s eligibility; and (ii) is enrolled in a registry of Beneficiaries;
(b) the Beneficiary shall have, as part of the enrolment in said registry of Beneficiaries, received Training on the Cash Transfer Program’s operations and requirements, including, *inter alia*, applicable Beneficiary conditionalities, namely, in areas where health services are available: (i) all children aged nine (9) months and below shall have received all routine vaccinations as evidenced by a full vaccination card; (ii) all children aged eleven (11) months and below shall have received health check-ups once per month; (iii) all children aged between twelve (12) and twenty-three (23) months shall have received routine health check-ups at least once every two (2) months; and (iv) all pregnant women shall have received at least four (4) pre-natal medical examinations and two (2) post-natal medical examinations within forty (40) days of delivery; and (v) in areas where primary education is available, all children eligible for primary education shall have attended school at least eighty percent (80%) of the time in each month; and

(c) the Recipient shall have confirmed Beneficiary’s compliance with said conditionalities, as applicable.

2. **Term(s) and Condition(s) of Cash Transfer Program**

   (a) The Recipient shall, prior to the commencement of the Cash Transfer Program in any given District, retain in accordance with the provisions of Section III of this Schedule, one or more Payment Agencies, with terms of reference, qualifications and experience satisfactory to the Association, to assist the Recipient in administering payments under the Cash Transfer Program in said District.

   (b) The Recipient shall monitor and evaluate, under terms of reference satisfactory to the Association, the implementation of the Cash Transfer Program, so as to ensure that payments made under the Cash Transfer Program are made exclusively to Beneficiaries for productive purposes consistent with the objectives of the Project.

**D. Anti-Corruption**

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

**E. Project Counterpart Funds; Project Counterpart Funds Account**

1. The Recipient shall open, and thereafter maintain, at all times during the implementation of the Project, in a financial institution and on terms and conditions acceptable to the Association, a Project Counterpart Funds Account, into which all counterpart funds required for the Project shall be deposited and maintained until required to pay for Eligible Expenditures.
2. Without limitation upon the provisions of Section 4.03 of the General Conditions, the Recipient shall deposit into the Project Counterpart Funds Account, the following amounts in CFA Francs not later than the dates indicated next to such amount:

<table>
<thead>
<tr>
<th>Amount (in CFA Francs)</th>
<th>Date not later than which the amount shall be deposited in the Project Counterpart Funds Account</th>
</tr>
</thead>
<tbody>
<tr>
<td>2,300,000,000</td>
<td>Effectiveness</td>
</tr>
<tr>
<td>3,200,000,000</td>
<td>April 5, 2015</td>
</tr>
<tr>
<td>2,000,000,000</td>
<td>June 1, 2016</td>
</tr>
</tbody>
</table>

3. The Recipient shall ensure that all amounts deposited in the Project Counterpart Funds Account shall be used exclusively to pay for Eligible Expenditures.

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports

1. The Recipient shall monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 4.08 of the General Conditions and on the basis of indicators acceptable to the Association. Each Project Report shall cover the period of one (1) calendar quarter, and shall be furnished to the Association not later than forty-five (45) days after the end of the period covered by such report.

2. The Recipient shall, not later than one (1) month prior to the mid-term review referred to in paragraph 3 of this Section II.A, furnish to the Association for comments, a report, in such detail as the Association shall reasonably request, on the progress of the Project, and giving details of the various matters to be discussed at such review.

3. The Recipient shall, not later than eighteen (18) months after the Effective Date, undertake, in conjunction with all agencies involved in the Project, a comprehensive mid-term review of the Project during which it shall exchange views with the Association and implementing agencies generally on all matters relating to the progress of the Project, the performance by the Recipient of its obligations under this Agreement and the performance by said implementing agencies, having regard to the performance indicators referred to in paragraph 1 of this Section II.A.

4. Following the mid-term review, the Recipient shall act promptly and diligently in order to take any corrective action deemed necessary to remedy any shortcoming
noted in the implementation of the Project, or to implement such other measures as may be required in furtherance of the objectives of the Project.

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 upon 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 (1) Fiscal Year of the Recipient. The audited Financial Statements for each such period shall be furnished to the Association not later than six (6) months after the end of such period.

4. To facilitate the proper maintenance of its financial management system as referred to in Part B.1 of this Section II, the Recipient shall, not later than three (3) months after the Effective Date: (a) acquire and install appropriate financial management/accounting software, in accordance with the provisions of Section III of Schedule 2 to this Agreement; and (b) provide financial management Training for staff involved in financial management of the Project, under terms of reference acceptable to the Association.

5. To facilitate the carrying out of independent audits under Part B.3 of this Section II, the Recipient shall, not later than six (6) months after the Effective Date, appoint an external auditor, in accordance with the provisions of Section III.C of Schedule 2 to this Agreement.

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) National Competitive Bidding, *(subject to the following additional provision, namely, that the Recipient shall use the standard bidding documents of the Association or other bidding documents agreed upon with the Association prior to their use)*; (b) Shopping; (c) Direct Contracting; and (d) Procurement from United Nations agencies.

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 procedures for the Selection of Individual Consultants; (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.

E. Specific Procurement Covenants

1. The Recipient shall, not later than twelve (12) months after the Effective Date, provide Training for the Project’s procurement staff, under terms of reference acceptable to the Association.

2. The Recipient shall, not later than six (6) months after the Effective Date, update its procurement filing and record keeping system, in form and substance acceptable to 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 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) Works, goods, consultants’ services, non-consulting services, Training and Operating Costs under Parts 1 and 3 of the Project</td>
<td>400,000</td>
<td>11.8%</td>
</tr>
<tr>
<td>(2) Cash Transfers and consultants services under Part 2 of the Project</td>
<td>1,000,000</td>
<td>11.8%</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>1,400,000</td>
<td></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 payments made prior to the date of this Agreement.

2. The Closing Date is February 28, 2018.
# 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 June 15 and December 15:</td>
<td></td>
</tr>
<tr>
<td>commencing June 15, 2019 to and including December 15, 2028</td>
<td>1.65%</td>
</tr>
<tr>
<td>commencing June 15, 2029 to and including December 15, 2038</td>
<td>3.35%</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 a household which is eligible to receive a Cash Transfer under the Cash Transfer Program and is duly registered for the purpose; and “Beneficiaries” means, collectively, two or more such households.


4. “Cash Transfer” means the conditional cash payment to be made to a Beneficiary under the Cash Transfer Program, and “Cash Transfers” mean, collectively, two or more such conditional cash payments.

5. “Cash Transfer Program” means the Recipient’s program referred to Section I.C 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. “CFA Franc” means the franc of the Central Africa Economic and Monetary Community, whose common central bank is the Bank of Central African States.

8. “Comité d’Orientation Stratégique” means the Recipient’s committee referred to in Section I.A.2 of Schedule 2 to this Agreement.


10. “District” means any of the following administrative units in the Recipient’s territory participating in the Cash Transfer Program: Makélékélé, Bacongo, Mounagali and Talangai in the department of Brazzaville; Mvounvou in the department of Pointe Noire; and Makoua and Oyo in the department of Cuvette.

11. “Fiscal Year” or “FY” means the Recipient’s twelve month period starting January 1 and ending December 31 of the same year.

12. “General Conditions” means the “International Development Association General Conditions for Credits and Grants”, dated July 31, 2010, with the modifications set forth in Section II of this Appendix.
13. "ICT" means information and communications technology.

14. "LISUNGI" means solidarity or support in Lingala.

15. "LISUNGI Project Management Unit" means the Recipient’s unit referred to in Section I.A.3 of Schedule 2 to this Agreement.

16. "Ministère des Affaires Sociales de l’Action Humanitaire et de la Solidarité" or "MASAHS" means the Recipient’s ministry responsible for social affairs, humanitarian action and solidarity, and any successor thereto.

17. "Operating Costs" means the incremental expenses incurred on account of Project implementation, based on the Annual Work Plan and Budget approved by the Association pursuant to Section I.B.2 of Schedule 2 to this Agreement, and consisting of expenditures for office supplies, vehicle operation and maintenance, maintenance of equipment, communication and insurance costs, office administration costs, utilities, rental, consumables, accommodation, travel and per diem, and salaries of Project staff, but excluding the salaries of the Recipient’s civil service, meeting and other sitting allowances and honoraria to said staff.

18. "Payment Agencies" means two or more competitively selected financial institutions, including, inter alia, banks, microfinance institutions and mobile phone companies, and duly established and operating under the Recipient’s laws and regulations, for the purpose of making Cash Transfers to Beneficiaries under the Cash Transfer Program.


20. "Procurement Plan" means the Recipient’s procurement plan for the Project, dated November 12, 2013 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.

21. "Project Counterpart Funds Account" means the account to be established and maintained by the Recipient in accordance with the provisions of Section I.E of Schedule 2 to this Agreement.

22. "Project Implementation Manual" or "PIM" means the Recipient’s manual referred to in Section I.B.1 of Schedule 2 to this Agreement.

23. "Training" means the costs associated with training, workshops and study tours provided under the Project, based on the Annual Work Plan and Budget approved by the Association pursuant to Section I.B.2 of Schedule 2 to this Agreement,
consisting of reasonable expenditures (other than expenditures for consultants' services) for: (a) travel, room, board and *per diem* expenditures incurred by trainers and trainees in connection with their training and by non-consultant training facilitators; (b) course fees; (c) training facility rentals; and (d) training material preparation, acquisition, reproduction and distribution expenses.
Section II. Modifications to the General Conditions

The modifications to the General Conditions are as follows:

1. Section 3.02 is modified to read as follows:

   "Section 3.02. Service Charge and Interest Charge

   (a) Service Charge. The Recipient shall pay the Association a service charge on the Withdrawn Credit Balance at the rate specified in the Financing Agreement. The Service Charge shall accrue from the respective dates on which amounts of the Credit are withdrawn and shall be payable semi-annually in arrears on each Payment Date. Service Charges shall be computed on the basis of a 360-day year of twelve 30-day months.

   (b) Interest Charge. The Recipient shall pay the Association interest on the Withdrawn Credit Balance at the rate specified in the Financing Agreement. Interest shall accrue from the respective dates on which amounts of the Credit are withdrawn and shall be payable semi-annually in arrears on each Payment Date. Interest shall be computed on the basis of a 360-day year of twelve 30-day months."

2. Paragraph 28 of the Appendix ("Financing Payment") is modified by inserting the words "the Interest Charge" between the words "the Service Charge" and "the Commitment Charge".

3. The Appendix is modified by inserting a new paragraph 32 with the following definition of "Interest Charge", and renumbering the remaining paragraphs accordingly:

   "32. "Interest Charge" means the interest charge specified in the Financing Agreement for the purpose of Section 3.02(b)."

4. Renumbered paragraph 37 (originally paragraph 36) of the Appendix ("Payment Date") is modified by inserting the words "Interest Charges" between the words "Service Charges" and "Commitment Charges".

5. Renumbered paragraph 50 (originally paragraph 49) of the Appendix ("Service Charge") is modified by replacing the reference to Section 3.02 with Section 3.02 (a).