

CREDIT NUMBER 5834-LS

Financing Agreement

(Social Assistance Project)

between

KINGDOM OF LESOTHO

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated JUNE 15, 2016

CREDIT NUMBER 5834-LS

FINANCING AGREEMENT

AGREEMENT dated JUNE 15, 2016, entered into between KINGDOM OF LESOTHO ("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 fourteen million two hundred thousand Special Drawing Rights (SDR 14,200,000) (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 The Service Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to three-fourths of one percent (3/4 of 1%) per annum.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 The Interest Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to one and a quarter percent (1.25%) per annum.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 February 15 and August 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 MoSD with the technical support of MoF 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 Event of Suspension consists of the following, namely that the Recipient's selected Social Assistance Programs and the National Social Protection Strategy have been amended, suspended, abrogated, repealed or waived, without the Association's prior consent, so as to affect materially and adversely the ability of the Recipient to carry out the Project or to perform any of its obligations under this Agreement.
- 4.02. The Additional Event of Acceleration consists of the following, namely that the 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 to the Recipient.
- 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 — EFFECTIVENESS; TERMINATION

- 5.01. The Additional Condition of Effectiveness consists of the following, namely that the Recipient has adopted the PIM in a manner satisfactory to the Association.
- 5.02. The Effectiveness Deadline is the date ninety (90) days after the date of this Agreement.

ARTICLE VI — REPRESENTATIVE; ADDRESSES

- 6.01. The Recipient's Representative is its minister of finance.

6.02. The Recipient's Address is:

Ministry of Finance
P.O. Box 395
Maseru 100, Lesotho

Telex:
(266) 22 316 404

Facsimile:
(266) 22 310 157
(266) 22 310 622

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
Washington, D.C.

Telex:
248423 (MCI)

Facsimile:
1-202-477-6391

AGREED at MASERU, JUNE 15, 2016, as of the day and year first above written.

KINGDOM OF LESOTHO

By



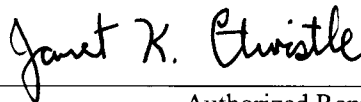
Authorized Representative

Name: MAMPHOPO KHAKETLA

Title: Minister of Finance

INTERNATIONAL DEVELOPMENT ASSOCIATION

By



Authorized Representative

Name: JANET CHRISTIE

Title: COUNTRY REPRESENTATIVE

SCHEDULE 1

Project Description

The objective of the Project is to support the Recipient in improving the efficiency and equity of selected Social Assistance Programs.

The Project consists of the following parts:

Part 1. Strengthening administrative efficiency and equity of the selected Social Assistance Programs

Carrying out of a program of activities identified in the Eligible Expenditures Program in support of the selected Social Assistance Programs and focusing on two result areas: (i) improved administrative efficiency of the selected Social Assistance Programs; and (ii) improved equity of the selected Social Assistance Programs.

Part 2. Implementation Support

- 2.1. Provision of consultants' services and Training in supporting the achievement of results in the selected Social Assistance Programs.
- 2.2. Support the design and implementation of a pilot of livelihoods enhancement activities, in particular: (i) the design of a basic package to promote sustainable livelihoods; (ii) the design and implementation of a communication strategy for program officers to support the implementation of the pilot; (iii) training for MoSD program officers at district level; and (iv) a monitoring and evaluation strategy.
- 2.3. Provision of goods, consultants' services, non-consulting services, Training and Operating Costs to support the Project's management, implementation, monitoring and evaluation, audit and independent verification.

SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

- A. Institutional Arrangements.** The Recipient, through MoSD, shall maintain the following institutional arrangements, further described in the PIM, throughout the implementation of the Project:
1. The Recipient, through MoSD, shall ensure the overall coordination of the Project.
 2. The Recipient, through MoSD, shall be responsible for: (i) the technical implementation of activities for the selected Social Assistance Programs of the MoSD under Part 1 of the Project; and (ii) the provision of the evidences of the proper fulfillment of the DLIs to the Association in accordance with the protocols and procedures set forth in the PIM until the PIU is established with staffing, resources and mandate acceptable to the Association pursuant to Section I.A.4(c) of this Schedule.
 3. The Recipient, through the Pension Department within MoF, shall be responsible for the technical implementation of activities for the selected Social Assistance Programs of the MoF under Part 1 of the Project.
 4. Project Implementation Unit
 - (a) The Recipient, through MoSD, shall maintain, throughout the implementation of the Project, a PIU with composition and terms of reference acceptable to the Association.
 - (b) The MoSD, through PIU, shall be responsible for: (i) the implementation of the Project, including financial management, procurement, disbursement, reporting, monitoring and evaluation; (ii) the provision of the evidences of the proper fulfillment of the DLIs to the Association in accordance with the protocols and procedures set forth in the PIM; and (iii) the coordination with MoF of the implementation of activities under the selected Social Assistance Program for MoF.
 - (c) The PIU shall include, *inter alia*, a Project coordinator, a procurement specialist, one financial management specialist, one specialist for the activities within the MoSD and one specialist responsible to act as focal point in MoF.
 5. The MoF, through the Pension Department, shall be responsible for the coordination and implementation of activities under their respective selected Social Assistance Program, in coordination with the PIU.

B. Project Implementation Manual

1. The Recipient shall ensure that the Project is carried out in accordance with the Project Implementation Manual and, except as the Association shall otherwise agree, the Recipient shall not assign, amend, abrogate, or waive the Project Implementation Manual, or any provision thereof.
2. In the event of any conflict between the provisions of the Project Implementation Manual and those of this Agreement, the provisions of this Agreement shall prevail.

C. Anti-Corruption

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

D. Annual Work Plans and Budgets

1. No later than February 28 in each Fiscal Year of the Recipient (or one (1) month after the Effective date for the first year of Project implementation), the Recipient shall prepare and furnish to the Association a draft annual work plan and budget for Part 2 of the Project for the subsequent Fiscal Year of Project implementation, of such scope and detail as the Association shall have reasonably requested.
2. For any Training to be included in an Annual Work Plan and Budget, the Recipient shall, *inter alia*, identify: (a) particulars of the training envisaged; (b) the criteria for selection of the personnel to be trained, and such personnel, if known; (c) the selection method of the institution or individuals conducting such training; (d) the institution conducting such training, if known; (e) the purpose and justification for such training; (f) the location and duration of the proposed training; and (g) the estimate of the cost of such training, of such scope and detail as the Association shall have reasonably requested.
3. The Recipient shall afford the Association a reasonable opportunity to review such draft annual work plan and budget, and thereafter shall carry out such annual work plan and budget during such subsequent calendar year as shall have been approved by the Association ("Annual Work Plan and Budget"). Only those activities included in the draft annual work plan and budget shall be eligible for financing out of the proceeds of the Financing.
4. Annual Work Plans and Budgets may be revised as needed during Project implementation subject to the Association's prior written approval.

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports

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

B. Financial Management, Financial Reports and Audits

1. The Recipient shall maintain or cause to be maintained a financial management system in accordance with the provisions of Section 4.09 of the General Conditions.
2. Without limitation on the provisions of Part A of this Section, the Recipient shall prepare and furnish to the Association not later than sixty (60) days after the end of each calendar semester, interim unaudited financial reports for the Project covering the semester, 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, commencing with the fiscal year in which the first withdrawal was made. The audited Financial Statements for each such period shall be furnished to the Association not later than six (6) months after the end of the Fiscal Year of the Recipient.

C. External Controls for Part 1 of the Project

1. Independent Verification

- (a) Notwithstanding the provisions of Section I.A.4.(b).(ii) of Schedule 2 to this Agreement, the Recipient, through MoSD, shall ensure an independent verification of the proper fulfillment of selected DLIs through third-parties verifiers ("Independent Verifiers") in accordance with the provisions set forth in the PIM.
- (b) The Recipient shall cause the Independent Verifiers to carry out, prior to each Withdrawal, an assessment of the level of fulfillment of respective DLIs and provide to the Recipient and the Association, an Independent Verification Report containing, *inter alia*, said assessment on the fulfillment of the pertinent DLIs and a proposal for disbursement under each Withdrawal.

Section III. Procurement

A. General

1. **Goods and Non-consulting Services.** All goods 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 and Non-consulting Services

1. **International Competitive Bidding.** Except as otherwise provided in paragraph 2 below, goods and non-consulting services shall be procured under contracts awarded on the basis of International Competitive Bidding.
2. **Other Methods of Procurement of Goods and Non-consulting Services.** The following methods, other than International Competitive Bidding, may be used for procurement of goods and non-consulting services for those contracts specified in the Procurement Plan: (a) National Competitive Bidding, subject to the additional provisions provided in section 3 below; (b) Shopping; and (c) Direct Contracting.
3. **Additional Provisions for NCB.** The Additional Provisions for National Competitive Bidding are as follows:
 - (i) The use of World Bank's Standard Bidding Documents (SBDs);
 - (ii) The registration and/or classification of bidders by the Procurement Policy Advisory Department within the Recipient's Ministry of Finance, Ministry of Public Works and Transport or any other body shall not be used as a condition of bidding;
 - (iii) Preferences shall not be granted based on citizen degree of ownership and local content;

- (iv) Bracketing to provide for the rejection of bids which are in excess of 15% of the cost estimate shall not be used;
- (v) Award of contract must be made to the lowest evaluated tender; and
- (vi) Award of contracts shall be publicly disclosed in media of wide circulation.

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

Category	Amount of the Financing Allocated (expressed in SDR)	Percentage of Expenditures to be Financed (inclusive of Taxes)
(1) EEP under Part 1 of the Project	10,650,000	75% of amounts spent and reported under the EEP Spending and Assessment Reports and the IFRs for each Withdrawal
(2) Goods, non-consulting services, consultants' services, Training and Operating Costs, including audit and independent verification for the Project	3,550,000	100%
TOTAL AMOUNT	14,200,000	

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, except that withdrawals up to an aggregate amount not to exceed SDR 1,065,000 may be made for payments made prior to this date but on or after June 30, 2015, for Eligible Expenditures under Category (1) and subject to the provisions set forth in Part B.2 of this Section as applicable; and
 - (b) under Category (2) unless the Recipient has established the PIU with a composition and terms of reference acceptable to the Association.
2. Notwithstanding the provisions of Part A of this Section and without limitation to the provision set forth in paragraph 1 above, withdrawals under Category (1) above may be made by the Recipient as follows:
 - (a) Withdrawals shall be made in amounts not exceeding the total of the ceilings per each respective DLI as provided in Schedule 4 to this Agreement, subject to submission to the Association of: (i) evidences satisfactory to the Association that the DLIs have been achieved, as defined in the PIM and, for the selected DLIs, pursuant to Section II.C.1

of Schedule 2 to this Agreement; and (ii) IFRs satisfactory to the Association.

- (b) If, at any time, the Association determines that any portion of the amounts disbursed by the Recipient under Category (1) was made: (i) for expenditures which are not eligible under the EEP; or (ii) not in compliance with the provisions of Section IV.B.2(a), the Recipient shall promptly refund any such amount to the Association as the Association shall specify by notice to the Recipient.
- (c) If, at any time, the Association is not satisfied that any of the DLI(s) has/have been achieved by end of each Fiscal Year or of the date by which the said DLI(s) is/ are set to be achieved and/ or the Allocated Amount(s) of such DLI(s) has/ have not been fully withdrawn as such said date has been established in the PIM, the Association may, at any time, by notice to the Recipient, decide, in its sole discretion, to:
 - (i) authorize the withdrawal of such lesser amount of respective Allocated Amount(s) allocated to any of DLI(s) which in the opinion of the Association, corresponds to the extent of achievement of said DLI(s);
 - (ii) withhold all or a portion of the proceeds of the Financing then allocated to said DLI(s) until such DLI(s) is/ are satisfactorily met;
 - (iii) reallocate all or a portion of the proceeds of the Financing then allocated to said DLI(s) to any other DLI(s); and/or
 - (iv) cancel all or a portion of the proceeds of the Financing then allocated to said DLI(s).

3. The Closing Date is May 30, 2020.

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, 2021 to and including February 15, 2031	1.65%
commencing August 15, 2031 to and including February 15, 2041	3.35%

*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 (DLIs)

No.	DLI	Maximum Amount (SDR)	Indicative date DLI would be met
1	The NISSA-CBT targeting approach was designed and tested	1,065,000	July 2016
2	Data cross matching mechanism between the OAP and the Civil Service Pensions databases was established	710,000	August 2016
3	Post-Primary OVC Bursary was consolidated in the OVC Bursary Scheme	177,500	December 2016
4	OVC and PA adopted harmonized targeting procedures based on NISSA-CBT and possible categorical filters	177,500	December 2016
5	Enrollment in CGP reached 30,500 households	1,065,000	December 2016
6	Key managerial positions of the Social Assistance Department have been included in the MoSD payroll	106,500	June 2017
7	Harmonized procedures of application, enrollment, grievance and redress mechanism for CGP, OVC and PA were adopted	106,500	June 2017
8	100% of OAP beneficiaries found to be ineligible through the regular cross checks with Civil Service Pensions databases are eliminated from the OAP roster	284,000	June 2017
9	100% of ineligible OAP recipients detected till June 30, 2017, are eliminated as a result of the new OAP proof of life verification requirements applied to all current beneficiaries	923,000	June 2017
10	All new beneficiaries of OVC and PA entered in the calendar year were selected using the harmonized targeting procedures adopted in Year 1	355,000	December 2017
11	Enrollment in CGP reached 36,500 households	1,065,000	December 2017
12	An MSD Integrated MIS (IMIS) for the CGP, OVC and PA is fully operative	177,500	June 2018
13	MSD established a unified payment system for CGP and PA	177,500	June 2018
14	At least 30% of payments to OAP beneficiaries are paid through the new OAP payment system	355,000	June 2018

15	The coverage of NISSA-CBT registry reached at least 75% of Community Councils in the country	355,000	December 2018
16	Enrollment in CGP reached 42,500 households	1,065,000	December 2018
17	At least 75% of payments to CGP and PA are paid through the unified payment system	355,000	June 2019
18	100% of ineligible OAP recipients detected till June 30, 2019, are eliminated as a result of the new OAP proof of life verification requirements applied to all current beneficiaries	1,065,000	June 2019
19	100% of existing beneficiaries (in Year 1) of OVC and PA were recertified using the harmonized targeting procedures adopted in Year 1	355,000	December 2019
20	Enrollment in CGP reached 48,500 households	710,000	December 2019
	TOTAL	10,650,000	

APPENDIX

Section I. Definitions

1. "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.
2. "Annual Work Plan and Budget" means each annual work plan, together with the related budget, for the Project approved by the Association pursuant to the provisions of Section I.D of Schedule 2 to this Agreement.
3. "Category" means a category set forth in the table in Section IV of Schedule 2 to this Agreement.
4. "Child Grants Program" or "CGP" means the Recipient's program of social assistance introduced by the Recipient's National Policy on Orphans and Vulnerable Children dated 2006.
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 (revised July 2014).
6. "Disbursement-linked Indicators" or "DLIs" means the set of disbursement-linked indicators as specified in the Table in Schedule 4 to this Agreement, and further described in the PIM.
7. "Eligible Expenditures Program" or "EEP" means a set of expenditures for the implementation of the selected Social Assistance Programs, consisting of a portion of the expenditures incurred by the Recipient for the implementation of Part 1 of the Project and financed in accordance with the Recipient's budget law and the Project Implementation Manual.
8. "EEP Spending and Assessment Reports" means any report prepared by the Recipient in accordance with the PIM on the spending status of the Eligible Expenditures Program under Part 1 of the Project and the level of achievement of the DLIs.
9. "Fiscal Year" means the fiscal year of the Recipient commencing on April 1 of each year and ending on March 31.
10. "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.

11. "Independent Verifiers" means independent verifiers referred to in Section II.C.1(a) of Schedule 2 to this Agreement selected by the Project Implementation Unit in order to prepare the Independent Verification Reports.
12. "Independent Verification Report" means the report prepared by the Independent Verifiers in accordance with the details provided in the Project Implementation Manual and, referred to in Section II.C.1(b) of Schedule 2 to this Agreement, 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 selected DLIs.
13. "MoF" means the Recipient's Ministry of Finance or any successor thereto.
14. "MoSD" means the Recipient's Ministry of Social Development or any successor thereto.
15. "National Social Protection Strategy" means the Recipient strategy adopted through the Recipient's National Social Development Policy dated 2014.
16. "Operating Costs" means the incremental operating costs arising under the Project on account of Project coordination, implementation and monitoring activities, including office supplies, vehicle operation and maintenance costs, utilities, communication charges, per diems and travel allowances, but excluding the salaries of the Recipient's civil service and sitting allowances.
17. "Orphan and Vulnerable Children Bursary Program" or "OVC" means the Recipient's program of social assistance introduced by the Recipient's Policy Education for All dated 2000.
18. "Pension Department" means the Recipient's unit established under the MoF, or any successor thereto.
19. "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 (revised July 2014).
20. "Procurement Plan" means the Recipient's procurement plan for the Project, dated April 28, 2016, 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 Implementation Unit" or "PIU" means the unit referred to in Section I.A.4 of Schedule 2 to this Agreement.
22. "Project Implementation Manual" or "PIM" means the Recipient's manual referred to in Article 5.01 and Section I.B of Schedule 2 to this Agreement, setting

out implementation, organizational, monitoring and evaluation, risk mitigation, and fiduciary mechanisms for purposes of implementation of the Project, eligibility criteria for the Social Assistance Programs (hereinafter defined) and protocols for the DLIs (hereinafter defined), as the same may be amended from time to time with the prior written agreement of the Association, and such term includes any annexes or schedules to such manual.

23. "Old Age Pension Program" or "OAP" means the Recipient's program of social assistance introduced by the Recipient's Old Age Pension Act No. 3 dated 2005.
24. "Public Assistance Program" or "PA" means the Recipient's program of social assistance introduced by the recipient's National Social Welfare Policy of 2003.
25. "Social Assistance Programs" means the Recipient's social assistance programs eligible or to be established as eligible in accordance with the eligibility criteria set forth in the PIM for financing under the Project, namely the Child Grants Program, the Public Assistance Program, the Orphan and Vulnerable Children Bursary Program and the Old Age Pension Program.
26. "Training" means training of persons involved in Project-supported activities, based on annual budgets approved by the Association, such term including seminars, workshops, and study tours, and costs associated with such activity such as travel and subsistence costs for training participants, costs associated with securing the services of trainers, rental of training facilities, preparation and reproduction of training materials, and other costs directly related to training preparation and implementation.
27. "Withdrawal" means each withdrawal under Category (1) of the table in Section IV of Schedule 2 to this Agreement.

Section II. Modifications to the General Conditions

The General Conditions are hereby modified 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 subsequent 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).