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GRANT NUMBER 0097-SAM(SF)

GRANT AGREEMENT  
(Special Operations)

(SchoolNet and Community Access Project)

between

INDEPENDENT STATE OF SAMOA

and

ASIAN DEVELOPMENT BANK

DATED 8 JANUARY 2008

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GAS:SAM 36513

## **GRANT AGREEMENT (Special Operations)**

GRANT AGREEMENT dated 8 January 2008 between INDEPENDENT STATE OF SAMOA (the "Recipient") and ASIAN DEVELOPMENT BANK ("ADB").

WHEREAS

(A) the Recipient has applied to ADB for a grant for the purposes of the Project described in Schedule 1 to this Grant Agreement; and

(B) ADB has agreed to provide a grant to the Recipient from ADB's Special Funds resources upon the terms and conditions hereinafter set forth;

NOW THEREFORE the parties agree as follows:

### **ARTICLE I**

#### **Grant Regulations; Definitions**

Section 1.01. All provisions of the Special Operations Grant Regulations of ADB, dated 7 February 2005 (the "Grant Regulations"), are hereby made applicable to this Grant Agreement with the same force and effect as if they were fully set forth herein.

Section 1.02. The definitions set forth in the Grant Regulations are applicable to this Grant Agreement unless the context requires otherwise. In addition, the following terms have the following meanings:

- (a) "AusAID" means the Australian Agency for International Development;
- (b) "Cabinet" means the Recipient's cabinet of ministers;
- (c) "Consulting Guidelines" means ADB's Guidelines on the Use of Consultants by Asian Development Bank and its Borrowers dated February 2007, as amended from time to time;
- (d) "CMAD" means the Curriculum Materials and Assessment Division under MESC and any successor thereto;
- (e) "EMIS" means the Education Management Information System;
- (f) "ESP II" means the ongoing ADB Education Sector Project II;
- (g) "ESP II Cofinanciers" means AusAID and NZAID;

(h) “Goods” means equipment and materials to be financed out of the proceeds of the Grant; and including related services such as transportation, insurance, installation, commissioning, training, and initial maintenance, but excluding consulting services;

(i) “ICT” means information and communications technology;

(j) “Implementing Agency” means MESC, which is responsible for the management of Project Implementation, monitoring and evaluation and reporting of progress;

(k) “IT” means information technology;

(l) “MESC” means the Recipient’s Ministry of Education, Sports and Culture and any successor thereto;

(m) “MESC - IT Unit” means the IT Unit established within MESC and any successor thereto;

(n) “MOF” means the Recipient’s Ministry of Finance and any successor thereto;

(o) “NGO” means nongovernmental organization;

(p) “NZAID” means the New Zealand Agency for International development;

(q) “Participating Schools” means the forty two government and missionary managed secondary schools located in 22 districts within the Recipient’s territory;

(r) “PPRD” means the Policy, Planning and Research Division under MESC, and any successor thereto;

(s) “Procurement Guidelines” means ADB’s Procurement Guidelines dated February 2007, as amended from time to time;

(t) “Procurement Plan” means the procurement plan for the Project dated 9 November 2007 and agreed between the Recipient and ADB, as updated from time to time in accordance with Procurement Guidelines, Consulting Guidelines, and other arrangements agreed with ADB;

(u) “Project Executing Agency” for the purposes, and within the meaning, of the Grant Regulations means MOF, and any successor thereto acceptable to ADB;

(v) “Project facilities” means the facilities and equipment provided under the Project;

(w) “PSC” means the project steering committee established for ESP II, which will also be responsible as the project steering committee for the Project, in accordance with paragraph 2 of Schedule 4 to this Grant Agreement;

(x) "SchoolNet Management Committee" means the SchoolNet Management Committee established within each of the Participating Schools' management committee;

(y) "SchoolNet Project Manager" means the project manager appointed for the Project in accordance with paragraph 5 of Schedule 4 to this Grant Agreement;

(z) "SOD" means the School Operations Division under MESC and any successor thereto;

(aa) "TAC" means the technical advisory committee established in accordance with paragraph 3 of Schedule 4 to this Grant Agreement;

(bb) "AMU" means the Asset Management Unit under MESC and any successor thereto; and

(cc) "Works" means construction or civil works to be financed out of the proceeds of the Grant, including services such as mapping, and project related services that are provided as part of a single responsibility or turnkey contract, but excluding consulting services.

## **ARTICLE II**

### **The Grant**

Section 2.01. ADB agrees to make available to the Recipient from ADB's Special Funds resources on terms and conditions set forth in this Agreement an amount of five million nine hundred thousand Dollars (\$5,900,000).

## **ARTICLE III**

### **Use of Proceeds of the Grant**

Section 3.01. The Recipient shall cause the proceeds of the Grant to be applied to the financing of expenditures on the Project in accordance with the provisions of this Grant Agreement.

Section 3.02. The goods and services and other items of expenditure to be financed out of the proceeds of the Grant and the allocation of amounts of the Grant among different categories of such goods and services and other items of expenditure shall be in accordance with the provisions of Schedule 2 to this Grant Agreement, as such Schedule may be amended from time to time by agreement between the Recipient and ADB.

Section 3.03. Except as ADB may otherwise agree, all goods and services to be financed out of the proceeds of the Grant shall be procured in accordance with the provisions of Schedule 3 to this Grant Agreement.

Section 3.04. Withdrawals from the Grant Account in respect of goods and services shall be made only on account of expenditures relating to

- (a) goods which are produced in and supplied from and services which are supplied from such member countries of ADB as shall have been specified by ADB from time to time as eligible sources for procurement, and
- (b) goods and services which meet such other eligibility requirements as shall have been specified by ADB from time to time.

Section 3.05. The Grant Closing Date for the purposes of Section 8.02 of the Grant Regulations shall be 30 June 2013 or such other date as may from time to time be agreed between the Recipient and ADB.

## ARTICLE IV

### Particular Covenants

Section 4.01. In the carrying out of the Project and operation of the Project facilities, the Recipient shall perform, or cause to be performed, all obligations set forth in Schedule 4 to this Grant Agreement.

Section 4.02. (a) The Recipient shall (i) maintain, or cause to be maintained, separate accounts for the Project; (ii) have such accounts and related financial statements audited annually, in accordance with appropriate auditing standards consistently applied, by independent auditors whose qualifications, experience and terms of reference are acceptable to ADB; (iii) furnish to ADB, as soon as available but in any event not later than 6 months after the end of each related fiscal year, certified copies of such audited accounts and financial statements and the report of the auditors relating thereto (including the auditors' opinion on the use of the Grant proceeds and compliance with the financial covenants of this Grant Agreement as well as on the use of the procedures for imprest account/statement of expenditures), all in the English language; and (iv) furnish to ADB such other information concerning such accounts and financial statements and the audit thereof as ADB shall from time to time reasonably request.

(b) The Recipient shall enable ADB, upon ADB's request, to discuss the Recipient's financial statements for the Project and its financial affairs related to the Project from time to time with the auditors appointed by the Recipient pursuant to Section 4.02(a) hereabove, and shall authorize and require any representative of such auditors to participate in any such discussions requested by ADB, provided that any such discussion shall be conducted only in the presence of an authorized officer of the Recipient unless the Recipient shall otherwise agree.

Section 4.03. The Recipient shall enable ADB's representatives to inspect the Project, the goods financed out of the proceeds of the Grant, and any relevant records and documents.

## **ARTICLE V**

### **Effectiveness**

Section 5.01. The following is specified as an additional condition to the effectiveness of this Grant Agreement for the purposes of Section 9.01(e) of the Grant Regulations: The Recipient shall have issued a decree or an order to designate the existing Steering Committee for ESP II to also act as the Project's steering committee.

Section 5.02. A date ninety (90) days after the date of this Grant Agreement is specified for the effectiveness of the Grant Agreement for the purposes of Section 9.04 of the Grant Regulations.

## **ARTICLE VI**

### **Miscellaneous**

Section 6.01. The Minister of Finance of the Recipient is designated as representative of the Recipient for the purposes of Section 11.02 of the Grant Regulations.

Section 6.02. The following addresses are specified for the purposes of Section 11.01 of the Grant Regulations:

#### For the Recipient

Ministry of Finance  
Private Bag  
Apia, Samoa

Facsimile Number:

(685) 21312  
(685) 24779

For ADB

Asian Development Bank  
P.O. Box 789  
0980 Manila, Philippines

Facsimile Numbers:

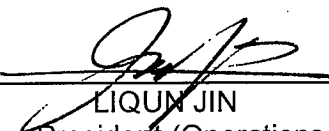
(632) 636-2444  
(632) 636-2445

IN WITNESS WHEREOF the parties hereto, acting through their representatives thereunto duly authorized, have caused this Grant Agreement to be signed in their respective names and to be delivered at the principal office of ADB, as of the day and year first above written.

INDEPENDENT STATE OF SAMOA

By   
CEPPIE KURNIADI SUMADILAGA  
Authorized Representative

ASIAN DEVELOPMENT BANK

By   
LIQUN JIN  
Vice President (Operations 1)

## SCHEDULE 1

### Description of the Project

1. The Project will assist the Recipient in achieving a more equitable and effective ICT-enhanced education system and in promoting life long learning. The Project will also enhance learning outcomes of secondary students and improve knowledge sharing through ICT.

2. The Project consists of the following components:

#### Component 1: Improving Quality of Teaching and Learning

Provision of consulting services, training, workshops, e-learning materials and courseware, computer hardware and software, ICT applications or software, SchoolNet management handbooks, equipment and operational resources. These inputs will be provided for the purposes of the following three activities:

(a) E-curriculum Capacity Development and Distribution.

- (i) expand CMAD's capacity to adapt e-curriculum and embed ICT as a learning/teaching tool;
- (ii) upgrade CMAD's capacity to search, identify, and evaluate suitable e-learning materials;
- (iii) acquire e-learning and teaching materials;
- (iv) source, adapt and develop local e-materials;
- (v) distribute e-learning materials through the SchoolNet;
- (vi) organize and distribute e-learning materials that have been adapted and/or sourced by CMAD;
- (vii) provide training to teachers and students in the use of productivity applications; and
- (viii) assist CMAD in expanding the inventory of e-learning materials.

(b) E-teaching Capacity Development.

Strengthen the capacity of SOD and the National University of Samoa to adapt/develop and deliver online professional development programs for teachers.

(c) Management Capacity.

- (i) build the management capacity of teachers, principals, school review officers, and learning center administrators, through the provision of training-for-trainers on various topics, including school administration system, SchoolNet administration, and learning centers;

- (ii) develop a SchoolNet Management Handbook; and
- (iii) assist CMAD and SOD in developing monitoring indicators.

Component 2: Improving Education Access through ICT

Provision of consulting services, e-learning center equipment packages, data center and portal, training and workshops. These inputs will be provided for the following activities:

- (a) Provision of SchoolNet equipment and connectivity.
  - (i) establish e-learning center in each of the Participating Schools. Each learning center will be equipped with computer workstations, servers, printer, scanner, video camera, data projector, and networking equipment and related software;
  - (ii) assist each of the e-learning centers to connect with the SchoolNet network; and
  - (iii) develop policies and guidelines for disposal of obsolete equipment.
- (b) Integration of SchoolNet Pilot.

Assist MESCC in reviewing the performance of the local area network (LAN) and the wide area network (WAN) and provide new equipment to integrate the SchoolNet pilot sites with the Project.
- (c) Extending Network to Connect MESCC.
  - (i) assist each of CMAD, SOD, PPRD and the IT Unit in reviewing the capacity of its respective equipment for compatibility with the SchoolNet network; and
  - (ii) install compatible network equipment and connect wireless broadband to link CMAD, SOD, PPRD, and the ICT Unit and to connect to the network.
- (d) Strengthening Data Center and Portal.

Assist MESCC data center in assessing its equipment to determine its capacity to provide high quality and fast services to the Project and provide necessary replacement.
- (e) Strengthening MESCC ICT Capacity.
  - (i) assist MESCC in strengthening its ICT capacity to effectively manage and support the expanded SchoolNet network;

- (ii) develop MESC staff capacity in network, data center and portal management and in EMIS maintenance; and
- (iii) support MESC in recruiting, appointing and training staff to manage the expanded SchoolNet network and to be the focal points within each of the Participating Schools.

Component 3: Establishing the Community Access Program and Developing Partnerships

Provision of consulting services, training, advocacy materials, learning center administrative manual, and workshops for:

- (a) Community Access and Use of SchoolNet.
  - (i) assist school managers/principals in developing a plan and an administrative manual to open the school facilities to the community and training community members in basic ICT skills; and
  - (ii) assist school managers/principals in developing and implementing advocacy program to engage the community.
- (b) SchoolNet and Community Access Program Management.
  - (i) support school managers in developing policies on managing the use of ICT equipment, planning the types of services to be provided, developing and adopting a cost recovery/sharing approach, and developing staff procedures regarding the daily administration of community access; and
  - (ii) establish a SchoolNet Management Sub-committee in each of the Participating Schools.
- (c) Development of Partnerships.

Assist MESC in developing and implementing partnerships with other government agencies, donors, the private sector, and other stakeholders.

Component 4: Strengthening Management and Coordination, and Improving Analysis of Economic Efficiency, Equity, and Sustainability

Provision of consulting services, equipment, training, and workshops for:

- (a) Strengthened Education Management and Coordination.
  - (i) support MESC in producing integrated project reports, review, and audit;
  - (ii) develop data collection and analysis procedures; and
  - (iii) establish processes and procedures to allow the integration of the Project with ESP II.

- (b) Improved Analysis of Economic Efficiency, Equity, and Sustainability.
    - (i) undertake quasi-experiments to evaluate SchoolNet impact on student learning outcomes;
    - (ii) develop baseline measures on equity and efficiency; and
    - (iii) prepare medium-term expenditures, including financing frameworks and projection models for assessing and monitoring progress toward financial sustainability.
3. The Project is expected to be completed by 31 December 2012.

**SCHEDULE 2****Allocation and Withdrawal of Grant Proceeds**General

1. The table attached to this Schedule sets forth the Categories of Goods, Works, services and other items to be financed out of the proceeds of the Grant and the allocation of amounts of the Grant to each such Category (hereinafter called the Table). (Reference to "Category" or "Categories" in this Schedule is to a Category or Categories of the Table and reference to "Subcategory" or "Subcategories" in this Schedule is to a Subcategory or Subcategories of a Category.)

Percentages of ADB Financing

2. Except as ADB may otherwise agree, the items of the Categories and Subcategories listed in the Table shall be financed out of the proceeds of the Grant on the basis of the percentages set forth in the Table.

Reallocation

3. Notwithstanding the allocation of Grant proceeds and the withdrawal percentages set forth in the Table,

(a) if the amount of the Grant allocated to any Category appears to be insufficient to finance all agreed expenditures in that Category, ADB may, by notice to the Recipient, (i) reallocate to such Category, to the extent required to meet the estimated shortfall, amounts of the Grant which have been allocated to another Category but, in the opinion of ADB, are not needed to meet other expenditures, and (ii) if such reallocation cannot fully meet the estimated shortfall, reduce the withdrawal percentage applicable to such expenditures in order that further withdrawals under such Category may continue until all expenditures thereunder shall have been made; and

(b) if the amount of the Grant then allocated to any Category appears to exceed all agreed expenditures in that Category, ADB may, by notice to the Recipient, reallocate such excess amount to any other Category.

Disbursement Procedures

4. Except as ADB may otherwise agree, the Grant proceeds for financing Goods, Works, consulting services and other items shall be disbursed in accordance with ADB's "Loan Disbursement Handbook" dated January 2007 (ADB's Loan Disbursement Handbook), as amended from time to time.

Imprest Account; Statement of Expenditures

5. (a) Except as ADB may otherwise agree, the Recipient shall establish immediately after the Effective Date, an imprest account at a bank acceptable to ADB. The imprest account shall be established, managed, replenished and liquidated in accordance with ADB's Loan Disbursement Handbook and detailed arrangements agreed upon between the Recipient and ADB. The initial and the ceiling of the amount to be deposited into the imprest account shall not exceed the lower of (i) the estimated expenditure for the first six months of Project implementation, or (ii) the equivalent of ten (10) percent of the Grant amount. For large contracts, direct payment procedures shall apply.

(b) The statement of expenditures (SOE) procedure may be used for reimbursement of eligible expenditures and to liquidate advances provided into the imprest account, in accordance with ADB's Loan Disbursement Handbook and detailed arrangements agreed upon between the Recipient and ADB. Any individual payment to be reimbursed, replenished or liquidated under the SOE procedure shall not exceed the equivalent of \$50,000.

Condition of Withdrawals from Grant Account

6. Notwithstanding any other provision of this Grant Agreement, no withdrawals shall be made from the Grant Account until,

(a) The Recipient shall have appointed the Project Manager in accordance with paragraph 5 of Schedule 4 to this Grant Agreement; and

(b) The Recipient shall have established the TAC in accordance with paragraph 3 of Schedule 4 to this Grant Agreement

TABLE

ALLOCATION AND WITHDRAWAL OF GRANT PROCEEDS (SchoolNet and Community Access Project)				
CATEGORY				ADB FINANCING
Number	Item	Amount Allocated		Percentage and Basis for Withdrawal from the Grant Account
		Category	\$ Subcategory	
1	IT Equipment and Network	2,070,000		100 percent of total expenditure*
2	Vehicle	40,000		100 percent of total expenditure*
3	Content Development	320,000		100 percent of total expenditure*
4	Training, workshops and Awareness Campaign	570,000		100 percent of total expenditure*
5	Consulting Services	2,270,000		100 percent of total expenditure*
6	Operation and Maintenance; local travel	60,000		50 percent of total expenditure
	Unallocated	570,000		
	Total	5,900,000		

\* Exclusive of taxes and duties imposed within the territory of the Recipient.

### SCHEDULE 3

#### Procurement of Goods and Works, and Consulting Services

A. General

1. All Goods, Works and consulting services to be financed out of the proceeds of the Grant shall be subject to and governed by the Procurement Guidelines, and the Consulting Guidelines, respectively.

2. All terms used and not otherwise defined in this Grant Agreement have the meanings provided in the Procurement Guidelines and/or the Consulting Guidelines, as applicable.

B. Procurement for Goods and Works

3. Except as ADB may otherwise agree, Goods and Works shall only be procured on the basis of the methods of procurement set forth below:

International Competitive Bidding
National Competitive Bidding
Shopping

The methods of procurement are subject to, among other things, the detailed arrangements and threshold values set forth in the Procurement Plan. The Recipient may only modify the methods of procurement or threshold values with the prior agreement of ADB, and modifications must be set out in updates to the Procurement Plan.

4. Domestic Preference. The Recipient may grant a margin of preference in the evaluation of bids under international competitive bidding in accordance with paragraphs 2.55(a) and 2.56 of the Procurement Guidelines for domestically manufactured Goods and paragraphs 2.55(b) and 2.56 of the Procurement Guidelines for domestic Works.

5. National Competitive Bidding. No procurement activity may be undertaken under National Competitive Bidding until ADB and the Recipient have agreed in writing on any necessary modifications or clarifications to the Recipient's standard procurement procedures to ensure consistency with ADB's Procurement Guidelines. Such modifications or clarifications shall be subsequently reflected in the Procurement Plan and are hereby incorporated by reference to this Grant Agreement.

C. Selection of Consulting Services

6. The Recipient shall apply the following method for selecting and engaging the specified consulting services, in accordance with, among other things, the procedures set forth in the Procurement Plan:

Quality Based Selection
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7. The Recipient shall recruit the individual consultants for project management advisor position, in accordance with procedures acceptable to ADB for recruiting individual consultants.

D. Industrial or Intellectual Property Rights

8. (a) The Recipient shall ensure that all Goods and Works procured (including without limitation all computer hardware, software and systems, whether separately procured or incorporated within other goods and services procured) do not violate or infringe any industrial property or intellectual property right or claim of any third party.

(b) The Recipient shall ensure that all contracts for the procurement of Goods and Works contain appropriate representations, warranties and, if appropriate, indemnities from the contractor or supplier with respect to the matters referred to in subparagraph (a) of this paragraph.

9. The Recipient shall ensure that all ADB-financed contracts with consultants contain appropriate representations, warranties and, if appropriate, indemnities from the consultants to ensure that the consulting services provided do not violate or infringe any industrial property or intellectual property right or claim of any third party.

E. ADB's Review of Procurement Decisions

10. All contracts procured under international competitive bidding procedures and contracts for consulting services shall be subject to prior review by ADB, unless otherwise agreed between the Recipient and ADB and set forth in the Procurement Plan.

## **SCHEDULE 4**

### **Execution of Project and Operation of Project Facilities; Financial Matters**

#### Project Executing Agency and Implementing Agency

1. MOF shall be the Project Executing Agency and MESC shall be the Implementing Agency. MESC shall have overall responsibility in Project management, implementation, monitoring and evaluation, and preparation of progress reports.

#### Project Steering Committee (PSC)

2. The Project will not establish a new steering committee. The existing PSC established under ESP II shall be designated as the steering committee for the Project, with similar roles and responsibilities. In carrying out its function under the Project, the PSC may invite other main project stakeholders to become members in order to provide strategic direction and oversight. The PSC shall meet at least once every 6 months.

#### Technical Advisory Committee (TAC)

3. A TAC shall be established to advise the PSC on technical matters. The TAC shall consist of representatives from the Recipient's Ministry of Communications and Information Technology, Samoan Information Technology Society, MESC, National University of Samoa, and local IT companies.

#### Project Management and SchoolNet Project Manager

4. The Project shall be managed by the MESC core executive (Core Executive), which consists of the Chief Executive Officer (CEO) and assistant CEOs, AMU manager and supported by the Office of the CEO, the SchoolNet Project Manager, and the ESP II program coordinator. The Project shall be implemented through the existing MESC organizational structure and in coordination with the ESP II implementation structure. The Project shall not establish a separate project management unit. The Core Executive shall receive support from consultants, including the project management advisor (Project Management Advisor). The ESP II Secretariat and SchoolNet Project Manager shall coordinate with the Project Management Advisor for smooth operation of the Project.

5. A SchoolNet Project Manager shall be appointed and shall be selected from within MESC. The SchoolNet Project Manager shall coordinate and manage all operational matters of the Project and shall report to the Core Executives. The SchoolNet Project Manager shall in particular have the responsibilities to (i) assist MESC division heads in planning the annual activity plan to ensure that the Project activities are not jeopardized at the expense of ESP II or vice versa; (ii) assist the AMU in liaising with local ICT companies, internet service providers, and the schools and communities, and in procurement activities; (iii) assist the PSC Secretariat with all record keeping, report writing and follow up on reporting requirements; (iv) visit all project sites to test installation, and officially hand over to schools, and (v) assist AMU manager with the assets register.

Counterpart Funds

6. The Recipient shall provide counterpart funds for project implementation on time. MOF shall make timely submission of annual budgetary appropriation requests to the Cabinet and shall ensure prompt disbursement of appropriated funds during each year of project implementation to MESCS.

Project Website

7. Within 9 months of the Effective Date, MESCS shall establish a project website to disclose information about the Project, including procurement. With regard to procurement, the website will include information on the list of participating bidders, name of the winning bidder, basic details on bidding procedures adopted, amount of contract awarded, and the list of goods/services procured.

Grievance Redress Mechanism

8. Within 9 months of the Effective Date, MESCS shall establish a grievance redress mechanism to resolve complaints/grievances or act upon reports from stakeholders on misuse of funds and other irregularities. A task force shall be established to (a) review and address grievances of stakeholders of the Project, in relation to either the Project, any of the service providers, or any person responsible for carrying out any aspect of the Project; and (b) set the threshold criteria and procedures for handling such grievances, for proactively and constructively responding to them, and for providing the stakeholders with notice of such mechanism.

Environment

9. Although no significant environmental impacts were identified, the operation of school facilities and the disposal of obsolete equipment undertaken under the project shall be implemented in line with the Recipient's environmental laws and regulations and ADB's *Environment Policy* (2002). If there is any discrepancy between the Recipient's laws and regulations and ADB's environment policy, the ADB's policy shall prevail.

Involuntary Resettlement

10. The Recipient and MESCS shall ensure that construction of new school facilities, including construction of communication towers, shall be carried out on existing schools or MESCS land. In the event sufficient existing land is not available and new land acquisition might be needed, the Recipient shall inform ADB and prepare resettlement plans (RPs) in accordance with ADB's *Policy on Involuntary Resettlement* (1995). The Recipient shall ensure that (a) RPs will be prepared in consultation with affected people (APs) and disclosed to APs prior to forwarding to ADB for approval, and (b) ADB review and approval of the RPs will be a condition for award of civil work contracts.

Project Implementation

11. The Project shall be implemented in 2 stages. Under stage 1, the Recipient and MESCS shall:

- (a) Prepare a medium term expenditure framework (MTEF);
- (b) Collect a comprehensive baseline data;
- (c) Implement a system to conduct tracer studies of secondary school graduates;
- (d) Assign schools to one of the three groupings following the Project's three phase implementation; and
- (e) conduct an updated financial sustainability analysis of the Project.

12. Under stage 2, the Recipient and MESC shall:

- (a) carry out procurement, installation and commission of the ICT equipment and internet network for the learning centers and MESC data center;
- (b) conduct all the required training and workshops under Project;
- (c) conduct monitoring and evaluation of the Project; and
- (d) establish and monitor community access to the learning centers.

13. Furthermore, under stage 2, the Recipient shall also prepare a detailed annual work plan, which shall be developed in conjunction with ESP II. The Recipient and MESC shall ensure that all activities prescribed under Stage 1, including the requirement for an agreed financial sustainability analysis for the Project as part of the MTEF, shall have been implemented and completed before implementation of Stage 2 can commence.

14. The Recipient and MESC shall ensure that each of the Participating Schools that will receive the learning center package, shall not increase its school fees or impose additional fees for the use of ICT. In the event an increase is required, the Participating Schools shall obtain approval from MESC, in consultation with ADB.

#### Reporting

15. Within 12 months of the Effective Date, the Recipient shall prepare and submit a report satisfactory to ADB that includes (a) identified six academic subjects to be supported under the Project and assigns schools to the three implementation groups that correspond to phases in Stage 2 based on the agreed criteria, (b) baseline data for ICT competencies of students, teachers and MESC staff, and (c) projections of the financial sustainability of the education sector, including the recurrent cost implications of ESP II and SchoolNet.

#### Schoolnet Management Sub - Committee

16. Within 18 months of the Effective Date, the Recipient and MESC shall ensure that each of the Participating Schools shall have established a SchoolNet Management Sub-committee within each of the Participating Schools' management committee.

#### Training for Teachers

17. The Recipient and MESC shall ensure that the ICT training, including the minimum ICT competency training, is made mandatory for the Participating Schools' teachers to ensure that the teachers have the minimum ICT competencies.

18. The Recipient and MESC shall ensure that at least two staff shall be recruited or appointed to the MESC - IT Unit. The staff shall receive training to manage the expanded network of schools and provide IT support services to all Project schools. Furthermore, MESC shall appoint at least two teachers in each Participating School and ensure that they undergo the training for SchoolNet administrators.

#### Universal Service Fund

19. Within 12 months of the Effective Date, the Recipient and MESC shall develop a plan and policies for the universal service fund, acceptable to ADB, to ensure that surplus capacity and budgetary resources are made available to the education sector in order to provide an affordable education network and MESC shall promptly implement the plan.

#### Audit and Reporting

20. Without prejudice to Section 4.02 of this Grant Agreement, the Recipient shall ensure that the Project accounts, financial statements, SOE and Imprest Account shall be audited at the same time as the audit for ESP II and by the same auditor engaged for ESP II. The appointed auditor shall be acceptable to ADB and ESP II Cofinanciers.

21. The Recipient and MESC shall ensure that all necessary reports, including the quarterly reports and the annual reports are prepared in conjunction with ESP II. The Recipient shall submit the reports to ADB and the reports will be shared with ESP II Cofinanciers.