

MEMORANDUM OF UNDERSTANDING WITH GOK

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ON PVO CO-FINANCING PROJECT (615-0236)

Between

THE AGENCY FOR INTERNATIONAL DEVELOPMENT

of

THE UNITED STATES OF AMERICA

and

THE REPUBLIC OF KENYA

The U.S. Government acting through the U.S. Agency for International Development and the Government of the Republic of Kenya acting through the Ministry of Finance have entered into the following understanding:

I. The PVO Co-Financing Project

The PVO Co-Financing Project is directed at the goal of increasing the income, quality of life and self-reliance of the rural and urban poor in Kenya through support to the PVO (NGO) community. Its purpose is to increase the development impact of NGO activities in Kenya. The project is designed to enable NGOs to more effectively assist local community organizations to achieve their development aims, and help local community organizations to better manage and sustain their own development. The amount of USAID/Kenya funding for the project is \$12 million in grant funds, subject to the availability of funds to USAID/Kenya.

It is agreed that the project will involve two major components, as follows:

A. PVO Grants Fund

The Project will establish a fund which will be used to make grants to qualified Kenyan and U.S. NGOs for a broad range of development activities. Such development activities will be consistent with Kenyan and USAID/Kenya development priorities. Only those organizations which are properly registered with USAID and under the laws of Kenya, have tax free status in Kenya, and meet the management and organizational criteria established by USAID/Kenya

will be eligible for grants under the project. It is anticipated that approximately five grants per year will be made over the next five years. Each grant is expected to cover a period of one to three years.

Each grantee must be able to demonstrate that its project is economically, financially, technically, socially and environmentally sound and that it will provide positive benefit to its target population among the rural and urban poor of Kenya.

B. Training for Institutional Strengthening

The demand is great for training of Kenyan staff of NGOs operating in Kenya. To date, USAID/Kenya has been able to satisfy only a very small portion of that demand. Therefore, the PVO Co-Financing Project will provide a limited amount of funding (approximately \$600,000) for training in subjects where training opportunities are limited in Kenya. Training from these funds will be conducted in the U.S. or third countries. Training in Kenya will be provided through the Grants Fund described above. It is expected that fifteen to thirty person-months of training will be provided per year over a six year period.

II. Implementing Methods and Responsibilities

- A. USAID/Kenya will request the Ministry of Finance to review and approve a list of proposed NGO activities for financing under this Project. This list will be submitted biannually. In addition, consistent with the Government of Kenya's District Development Policy, it will be the responsibility of each selected NGO to obtain the approval of the appropriate District Development Committee before any USAID funded project activity is actually implemented.
- B. USAID/Kenya will obligate funds directly to each of the implementing entities through direct grant agreements, contracts and individual training arrangements. None of these obligations will be reflected in the Government of Kenya budget. The Government of Kenya will not be responsible for the financing of any aspect of the project.
- C. USAID/Kenya will be directly responsible for the overall implementation of the project. Nationality of suppliers of services under the project shall be U.S. or Kenyan, except as USAID may otherwise agree in writing. Primary responsibility for implementing the individual activities will rest with the assisted organizations themselves. Each will be expected to comply with the terms of the grant agreements signed between USAID/Kenya and itself, as well as all the applicable laws of the Government of Kenya. USAID/Kenya agrees to keep the

Ministry of Finance fully informed of the overall status of the project, through biannual meetings involving appropriate persons from the Government of Kenya, NGOs whose activities are financed under the project, and USAID.

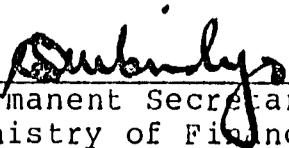
- D. The Government of Kenya agrees to exempt all commodities specifically financed by USAID/Kenya under this project from all customs duties and sales taxes.
- E. The Government of Kenya agrees to exempt from income tax and National Social Security contributions all the income or other emoluments received by persons performing services contracted by USAID under the project, other than citizens or permanent residents of Kenya. NGOs shall be responsible for obtaining their own such exemptions.
- F. The Government of Kenya agrees to approve work permits for persons employed by the project, for the period of the project.

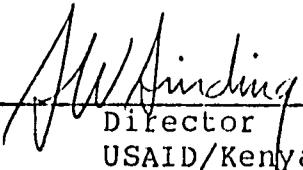
III. Interpretation and Modification

This Memorandum of Understanding in English constitutes the agreement of the parties hereto with respect to the PVO Co-Financing Project. This Memorandum of Understanding may be amended in writing by mutual agreement of the parties.

THE GOVERNMENT OF KENYA

THE UNITED STATES OF AMERICA

By: 
Permanent Secretary
Ministry of Finance

By: 
Director
USAID/Kenya

Date: 9/9/88

Date: 9/13/88