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MEMORANDUM OF UNDERSTANDING

BETWEEN

THE UNITED STATES OF AMERICA

AND

THE REPUBLIC OF KENYA

FOR

**THE KENYA ENTERPRISE DEVELOPMENT PROGRAM:
FUND FOR ECONOMIC DEVELOPMENT SUPPORT**

DATE: 120 MAY 2004

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**THE KENYA ENTERPRISE DEVELOPMENT PROGRAM:
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WHEREAS: the Parties to this Memorandum of Understanding recognize that USAID granted Seven Million United States Dollars (U.S.\$ 7,000,000 to the Standard Chartered Bank (Trustee) under its Private Enterprise Development (PED) Program through the Kenya Trust for Enterprise Development (Trust) in order to provide term credit to certain Kenyan private enterprises in conjunction with equity capital company investment in such enterprises and provided for the management and administration of the loans made by the Trust;

WHEREAS: the Parties recognize that at the expiration of the Trust Period upon instructions received from USAID the Trustee deposited both the capital and income of the Trust Fund in the form of Kenyan Shillings (local currency) into a special account in the Central Bank of Kenya as mutually agreed upon by the Parties herein;

WHEREAS: the Parties originally agreed to program the local currency for promotion of the private sector but now agree to joint programming of the fund for the expanded program of supporting business environment, macroeconomic and sectoral policies for encouraging economic growth, thereby contributing to the achievement of the Government of Kenya's Economic Recovery Program.

NOW THEREFORE: the Parties agree as follows:

ARTICLE 1 : Purpose

Section 1.1. The Government of the United States of America, acting through the United States Agency for International Development ("USAID"), and the Government of the Republic of Kenya ("GOK"), acting through the Ministry of Finance (hereinafter referred to as the "Parties") wish to cooperate in a mutual effort to support assistance to Kenya.

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Section 1.2. USAID wishes to furnish assistance, and the GOK wishes to receive and facilitate this assistance in the areas described in Article 2 Section 2.2 of this Memorandum of Understanding. Accordingly, the Parties have concluded the present Memorandum of Understanding, hereinafter referred to as the "MOU" to set forth their understandings with respect to their undertakings in support of such assistance.

ARTICLE 2: Nature of Assistance

Section 2.1. USAID will provide Kenyan Shillings Six Hundred and Twenty Five Million Eight Hundred and Twenty Three Thousand Nine Hundred and Fifty One and Cents Thirty (KShs. 625,823,951.30), presently deposited in a special account at the Central Bank of Kenya (CBK), designated as 'USAID (2003) Fund for Economic Development support', being the local currency generated from the Kenya Trust for Enterprise Development component of the PED Program. USAID jointly with the GOK will address and fund salient objectives of the GOK's Economic Recovery Program.

Illustrative activities that these funds may be used for are as follows:

- 1) Support for Poverty Alleviation Program in the Ministry of Planning and National Development.
- 2) Research activities or support thereto including state of the art surveys required in informing policy direction, exploration of new sector direction and/or feasibility studies.
- 3) General purpose activities such as special economic, sectoral or statistical surveys including support to CBS and studies that cannot be associated with a single discrete program or activity. This category includes the publication and other dissemination of appropriate research and technical studies.
- 4) Assistance to support assessment of public sector reform such as strengthening accountability functions, privatization, banking sector, and other reform efforts.

Section 2.2. The effective date of this MOU will be the date of the signature.

ARTICLE 3. Implementation

Section 3.1. Parties Implementing the Program:

- a) The local currency deposited in the said CBK account will be jointly programmed by USAID and the GOK towards mutually agreed upon economic development objectives as described in Article 2. Section 2.1.



- b) USAID and the GOK will jointly program funds to coincide with the GOK Annual Development and Supplementary Estimates and outline the funds for each budget vote through the annual programming letters;
- c) The GOK will confirm in writing to USAID that the jointly programmed amounts are reflected in the Annual Development and Supplementary Estimates budget;
- d) Upon transfer of funds, CBK will advise USAID of the activity account number and the amount transferred to such an account;
- e) USAID and the GOK will be jointly responsible for the managing and monitoring of the account by way of quarterly review of the account;
- f) The GOK will ensure timely disbursement of funds to the jointly approved activities;
- g) The GOK will undertake to redeposit into the CBK account any unutilized and erroneously withdrawn funds from the account as soon as detected;
- h) The recipients of funds herein will submit quarterly expenditure reports to USAID and the Ministry of Finance's External Resources Department. The report should at minimum include, the amount received from the Exchequer, the amount expended and the unexpended amount at the end of each quarter of the GOK fiscal year;
- i) USAID and the GOK will ensure that the funds jointly programmed are used for the approved activities.

ARTICLE 4. Standard Provisions.

Section 4.1. Authorized Representatives. The Parties shall be represented by those holding or acting in the offices held by the signatories to this MOU. Each Party may, by written notice, to the other, identify additional representatives authorized to represent that Party for all purposes other than executing formal amendments to this Memorandum of Understanding. Each Party shall notify the other, in writing, of changes in its authorized representatives.

Section 4.2. Amendment and Modification. This MOU may be amended or modified by written agreement of the Parties.

IN WITNESS WHEREOF: the Parties, each acting through their duly authorized representatives, have caused this MOU to be signed in their names and delivered as of this _____ day of _____ 2004.

**FOR THE GOVERNMENT OF THE
REPUBLIC OF KENYA**

BY: *David Mwiraria*

NAME: Hon. David Mwiraria

TITLE: Minister for Finance

DATE: May 20 2004

**FOR THE GOVERNMENT OF THE
UNITED STATES OF AMERICA**

BY: *Kiertisak Toh*

NAME: Kiertisak Toh

TITLE: USAID/Kenya, Director

DATE: May 20, 2004

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