CONFORMED COPY

CREDIT NUMBER 4376 -KE

Financing Agreement

(Water and Sanitation Service Improvement Project)

between

REPUBLIC OF KENYA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated June 4, 2008
FINANCING AGREEMENT

AGREEMENT dated June 4, 2008, entered into between the REPUBLIC OF KENYA (“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 ninety six million six hundred thousand Special Drawing Rights (SDR 96,600,000) (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. The Recipient’s Representative for purposes of taking any action required or permitted to be taken pursuant to this Section is the Minister for Finance.

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2.04 The Service Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to three-fourths of one percent (3/4 of 1%) per annum.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 Payment Dates are April 15 and October 15 in each year.
2.06. The principal amount of the Credit shall be repaid in accordance with the repayment schedule set forth in Schedule 3 to this Agreement.

2.07. The Payment Currency is Dollars.

ARTICLE III — PROJECT

3.01. The Recipient declares its commitment to the objectives of the Project and the Program. To this end, the Recipient shall cause Parts 1, 2, and 3 of the Project to be carried out by the Athi Water Services Board (AWSB), the Coast Water Services Board (CWSB) and the Lake Victoria North Water Services Board (LVNWSB) (Project Implementing Entities) respectively in accordance with the provisions of Article IV of the General Conditions and the respective Project Agreements.

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 Events of Suspension consist of the following:

(a) The Project Implementing Entities’ Legislation has been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of any of the Project Implementing Entities to perform any of their obligations under the Project Agreements.

(b) The Water Act, is amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of the Recipient to perform any of its obligations under this Agreement.

4.02. The Additional Events of Acceleration consist of the following:

(a) The event specified in paragraph (a) Section 4.01 of this Agreement occurs and is continuing for a period of 60 days after notice of the event has been given by the Association to the Recipient.
(b) Any event specified in paragraphs (a) and (b) of Section 4.01 of this Agreement occurs.

ARTICLE V — EFFECTIVENESS; TERMINATION

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

(a) The Subsidiary Agreements have been executed on behalf of the Recipient and the Project Implementing Entities;

(b) Each of the Project Implementing Entities has established an Institutional Risk Management Policy Framework satisfactory to the Association; and

(c) The Recipient has submitted a model Utilities Provision Agreement and a model Grant Agreement satisfactory to the Association.

5.02. The Additional Legal Matter consists of the following:

The Subsidiary Agreements have been duly authorized or ratified by the Recipient and the Project Implementing Entities and are legally binding upon the Recipient and each of the Project Implementing Entities in accordance with their terms.

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

5.04. 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 years after the date of this Agreement.
ARTICLE VI— REPRESENTATIVE; ADDRESSES

6.01. Except as provided in Section 2.02 of this Agreement, the Recipient’s Representative is the Minister for Finance.

6.02. The Recipient’s Address is:

Ministry of Finance
P.O Box 30007, 00100
Nairobi, Kenya

Cable address: FINANCE
Facsimile: 254 20 330 426
NAIROBI  254 20 218 475

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
Telex: 248423 (MCI)
Facsimile: 1-202-477-6391
Washington, D.C.
AGREED at Nairobi, Republic of Kenya, as of the day and year first above written.

REPUBLIC OF KENYA

By: /s/ Amos Kimunya

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By: /s/ C. Sanjivi Rajasingham

Authorized Representative
SCHEDULE 1

Project Description

The objectives of the Project are to: (a) increase access to reliable, affordable and sustainable water supply and sanitation services; and (b) improve the water and wastewater services in the Project Implementing Entities’ Service Areas.

The Project consists of the following parts:

Part 1. Athi Water Services Board

Providing support to the Athi Water Services Board (AWSB) to carry out the following activities in the AWSB Service Area:

(a) Rehabilitating and extending existing water supply facilities through: (i) repairing of transmission pipelines, water treatment works, providing storage, water distribution networks and boreholes; (ii) constructing new water treatment works; and (iii) extending water distribution networks and meters.

(b) Upgrading of the Nairobi city water distribution system by replacing old and non-functional water meters, providing metering for unauthorized connections and network augmentation.

(c) Rehabilitating, extending and constructing new wastewater and sanitation facilities.

(d) Preparing tender documents, designing and supervising works.

(e) Strengthening the capacity of AWSB, selected Water Service Providers (WSPs), the Water Services Regulatory Board and the Water Appeal Board through: (i) refurbishing of their offices and supplying office equipment; (ii) purchasing of vehicles and other equipment; (iii) financing of operating costs, and (iv) providing technical assistance for, (I) conducting customer surveys, mapping all WSPs’ areas, establishing metering improvement programs to reduce unaccounted for water and establishing data collection and quality control procedures, (II) improving accounting and installing and building capacity on use of management software and billing systems, (III) improving the technical operations and service standards, (IV) carrying out activities related to
water regulation, appeals and dispute management, and (V) carrying out activities related to project management such as monitoring and evaluation, coordination, communications, audits, financial management strengthening, assets valuation, service delivery to informal settlements, and (VI) providing training, workshops and study tours.

(f) Supporting the implementation of the Environmental and Social Management Framework and the Resettlement Policy Framework.

Part 2. **Coast Water Services Board**

Providing support to the Coast Water Services Board (CWSB) to carry out the following activities in the CWSB Service Area:

(a) Rehabilitating and extending selected water supply systems through: (i) repairing of existing water supply systems including boreholes sources, transmission pipelines, storage tanks and water distribution networks; (ii) constructing water supply treatment works; and (iii) expanding water distribution networks and installation of meters.

(b) Preparing tender documents, designing and supervising the works.

(c) Rehabilitating, extending and constructing new wastewater and sanitation facilities.

(d) Strengthening the capacity of CWSB, and selected WSPs through: (i) refurbishing of their offices and supplying office equipment (ii) purchasing of vehicles and other equipment; (iii) financing of operating cost support, and (iv) providing technical assistance for: (I) conducting customer surveys, mapping all WSPs’ Areas, establishing metering improvement programs to reduce unaccounted for water, establish data collection and quality control procedures, (II) improving accounting and installing and building capacity on use of management software and billing systems, (III) improving the technical operations and the service standards, and (IV) carrying out activities related to project management such as monitoring and evaluation, coordination, communications, audits, financial management strengthening, assets valuation and service delivery to informal settlements, and (V) providing training, workshops and study tours.

(e) Supporting the implementation of the Environmental and Social Management Framework and the Resettlement Policy Framework.
Part 3. Lake Victoria North Water Services Board

Providing support to the Lake Victoria North Water Services Board (LVNWSB) to carry out the following activities in the LVNWSB Service Area:

(a) Rehabilitating and extending selected water supply systems through: (i) repairing of existing water supply systems including boreholes sources, transmission pipelines, storage tanks and water distribution networks; (ii) constructing water supply treatment works; and (iii) expanding water distribution networks and installation of meters.

(b) Rehabilitating, extending and constructing new wastewater and sanitation facilities.

(c) Preparing tender documents, designing and supervising works.

(d) Strengthening the capacity of LVNWSB and selected WSPs’ through: (i) refurbishing of their offices and supplying office equipment; (ii) purchasing of vehicles and other equipment; (iii) financing of operating costs; and (iv) providing technical assistance for: (I) conducting of customer surveys, mapping all water services providers, establishing metering improvement programs to reduce unaccounted for water, establishing data collection and quality control procedures; (II) improving accounting and installing and building capacity on use of management software and billing systems; (III) improving the technical operations and the service standards; and (IV) carrying out activities related to project management such as monitoring and evaluation, coordination, communications, audits, financial management strengthening, assets valuation and service delivery to informal settlements, and (V) providing training, workshops and study tours.

(e) Supporting the implementation of the Environmental and Social Management Framework, Indigenous Peoples Planning Framework and the Resettlement Policy Framework.
SCHEDULE 2

Project Execution

Section I. Institutional Arrangements

A. General

Project Coordination Team

1. To facilitate the effective implementation of the Project, the Recipient shall delegate the responsibility for Project implementation to the Project Implementing Entities. The Project Implementing Entities shall maintain a Project Coordination Team comprising representatives from each of the Project Implementing Entities.

2. The Project Coordination Team shall be responsible for the general coordination of the Project including the monitoring of overall project implementation, reviewing and presenting project progress reports and following up on various project issues on behalf of the respective Project Implementing Entities.

Finance and Audit Committees

3. The Recipient shall cause each of the Project Implementing Entities to set up and maintain throughout Project implementation: (a) an Audit Committee with staffing and resources satisfactory to the Association with the responsibility for (i) monitoring of the Institutional Risk Management Policy Framework; (ii) monitoring and ensuring timely implementation of audit and operation review recommendations on fiduciary oversight; (iii) ensuring compliance with the covenants in this Agreement; and monitoring performance of key internal audit staff; and (b) a Finance Committee with staffing and resources satisfactory to the Association with the responsibility for (i) reviewing and approving financial statements (including quarterly financial statements); (ii) approving periodic budgets; and (iii) monitoring the performance of key financial management staff.
B. Implementation Arrangements

Subsidiary Agreements

1. To facilitate the carrying out of the Project Implementing Entities’ respective Parts of the Project, the Recipient shall make part of the proceeds of the Financing for Part 1 available to the AWSB, for Part 2 to the CWSB and for Part 3 to the LVNWSB under Subsidiary Agreements between the Recipient and the Project Implementing Entities, each under terms and conditions approved by the Association (“Subsidiary Agreement”) which shall inter alia include: (a) on lending arrangements to each Project Implementing Entity that provide for: (i) provision of funds in local currency at an interest rate of 1.5% of the funds drawn down; (ii) a principal repayment commencement date of February 15, 2012 and ending after 15 years, and (iii) a requirement that the Project Implementing Entities will contribute an agreed amount of funds to the local portion of the project costs; and (iv) a requirement that financing to the Water Service Regulatory Board and Water Appeals Board shall be provided on a grant basis.

2. The Recipient shall exercise its rights under the Subsidiary Agreements in such manner as to protect the interests of the Recipient and the Association and to accomplish the purposes of the Financing. Except as the Association shall otherwise agree, the Recipient shall not assign, amend, abrogate or waive the Subsidiary Agreements or any of their provisions.

Transfer Plan

3. The Recipient shall no later than June 30, 2008 or any other date agreed with the Association, complete the transfer of the management and operation of water services in accordance with the Transfer Plan.

Budgetary Allocations for Infrastructure Development

4. The Recipient shall ensure that commencing from financial year 2008/09, its budgetary allocations for infrastructure development, and water and sanitation services in the districts located in the Project Implementing Entities’ Service Areas is indicated in its budget and channeled through the Project Implementing Entities.
Grant Agreements

5. The Recipient shall cause the AWSB to:

(a) provide part of the proceeds of the Financing to the Water Services Regulatory Board and the Water Appeal Board on a grant basis and enter into a Grant Agreement with each under terms and conditions satisfactory to the Association; and

(b) exercise its rights under the Grant Agreements in such manner as to protect the interests of the Recipient and the Association and to accomplish the purposes of the Financing.

Utilities Provision Agreements

6. The Recipient shall cause each Project Implementing Entity to (a) make part of its proceeds of the Financing available to each respective WSPs in the form of either/or technical assistance, provision of equipment and financing of operating costs and to this end shall enter into Utilities Provision Agreements satisfactory to the Association; and (b) exercise its rights under the Utilities Provision Agreements in such manner as to protect the interests of the Recipient and the Association.

Anti-Corruption

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

Environmental and Social Safeguards

8. The Recipient shall implement and shall cause the Project Implementing Entities to implement the Project in accordance with the Environmental and Social Management Framework, the Resettlement Policy Framework, the Indigenous Peoples Planning Framework and all relevant national legal and policy requirements.

9. The Recipient shall not amend or waive, or permit to be amended or waived, any provision of the Environmental and Social Management Framework, the Resettlement Policy Framework and the Indigenous Peoples Planning Framework without the prior approval of the Association.
Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports

1. (a) The Recipient shall monitor and evaluate the progress of the Project and cause each Project Implementing Entity to prepare Project Reports in accordance with the provisions of Section 4.08 of the General Conditions and on the basis of the indicators set forth below in sub-paragraph (b) of this paragraph agreed with the Association. Each Project Report shall cover the period of three months and shall be furnished to the Association not later than forty-five days after the end of the period covered by such report.

(b) The performance indicators referred to above in sub-paragraph (a) consist of the following:

(i) Percentage of WSP project operational area with coverage of safe water;

(ii) Percentage of WSP project operational area with coverage of safe sewerage or sanitation access;

(iii) Percentage of people rating the services provided by the WSPs in the WSP project area as satisfactory or better; and

(iv) Degree of operation and maintenance cost coverage of WSPs and Project Implementing Entities.

2. Without limitation on the provision of sub-paragraph (a) above, the Recipient and the Project Implementing Entities shall, no later than December 31, 2010 or any other date agreed with the Association, carry out jointly with the Association a mid-term review (MTR) of progress made in carrying out the Project and no later than 30 days after the completion of the MTR, commence implementation of the recommendations of the MTR.

3. For purposes of Section 4.08 (c) of the General Conditions, the report on the execution of the Project and related plan required pursuant to that Section shall be furnished to the Association not later than six months after the Closing Date.
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 cause each Project Implementing Entity to prepare and furnish to the Association as part of the Project Report not later than forty-five 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 cause each Project Implementing Entity to 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 fiscal year of the Recipient. The audited Financial Statements for each such period shall be furnished to the Association not later than six months after the end of such period.

4. The Recipient shall ensure that the Project Implementing Entities shall:

   (a) not later than three months after the closing of their fiscal year, submit for review, annual progress reports summarizing their progress in implementing the Project and meeting the various performance indicators;

   (b) not later than six months after the closing of its fiscal year, submit for review and make public, the results of the annual financial and technical audits of the Utilities Provision Agreements with beneficiary WSPs; and

   (c) submit for review, no later than six months after the closing of their fiscal year, audit reports of their financial statements and the project accounts.

5. Except as the Association shall otherwise agree, the Recipient shall ensure that the Project Implementing Entities and the selected WSPs: (a) achieve a positive net income, excluding depreciation and amortization charges, by the end of the Project; and (b) pay cash dividends only out of net income if such payment will not lower their current ratio below 1.2.
Section III.  **Procurement**

A.  **General**

1.  **Goods and Works.** All goods and works 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 the Procurement Guidelines, or Consultant Guidelines, as the case may be.

B.  **Particular Methods of Procurement of Goods and Works**

1.  **International Competitive Bidding.** Except as otherwise provided in paragraph 2 below, goods and works shall be procured under contracts awarded on the basis of International Competitive Bidding.

2.  **Other Methods of Procurement of Goods and Works.** The following table specifies the methods of procurement, other than International Competitive Bidding, which may be used for goods and works. The Procurement Plan shall specify the circumstances under which such methods may be used:

<table>
<thead>
<tr>
<th>Procurement Method</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a) National Competitive Bidding</td>
</tr>
<tr>
<td>(b) Shopping</td>
</tr>
<tr>
<td>(c) Direct Contracting</td>
</tr>
</tbody>
</table>

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 table specifies methods of procurement, other than Quality and Cost-based Selection, which may be used for consultants’ services. The Procurement Plan shall specify the circumstances under which such methods may be used.

<table>
<thead>
<tr>
<th>Procurement Method</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a) Quality-based Selection</td>
</tr>
<tr>
<td>(b) Selection under a Fixed Budget</td>
</tr>
<tr>
<td>(d) Selection Based on Consultants’ Qualifications</td>
</tr>
<tr>
<td>(e) Least Cost Selection</td>
</tr>
<tr>
<td>(f) Single-Source Selection</td>
</tr>
<tr>
<td>(g) Procedures set forth in paragraphs 5.2 through 5.4 of the Consultant Guidelines for the selection of Individual Consultants</td>
</tr>
</tbody>
</table>

D. **Review by the Association of Procurement Decisions**

Except as the Association shall otherwise determine by notice to the Recipient, the following contracts shall be subject to Prior Review by the Association: (a) each contract for goods and works procured on the basis of International Competitive Bidding; (b) each contract for good and works estimated to cost $150,000 or more and procured on the basis of National Competitive Bidding; (c) each contract for consultants’ services provided by a firm and estimated to cost the equivalent of $100,000 or more; (d) each contract for consultants’ services provided by an individual estimated to cost $50,000 or more; and (e) each contract for consultants’ services procured on the basis of single-source selection. 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 A.2 below.
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 Credit 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 Credit Allocated (expressed in SDR)</th>
<th>Percentage of Expenditures to be Financed inclusive of Taxes</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Goods</td>
<td></td>
<td>100% of foreign expenditures and 90% of local expenditures</td>
</tr>
<tr>
<td>(a) Part 1</td>
<td>2,132,000.00</td>
<td></td>
</tr>
<tr>
<td>(b) Part 2</td>
<td>1,090,000.00</td>
<td></td>
</tr>
<tr>
<td>(c) Part 3</td>
<td>775,000.00</td>
<td></td>
</tr>
<tr>
<td>2. Works</td>
<td></td>
<td>100% of foreign expenditures and 90% of local expenditures</td>
</tr>
<tr>
<td>(a) Part 1</td>
<td>30,474,000.00</td>
<td></td>
</tr>
<tr>
<td>(b) Part 2</td>
<td>19,964,000.00</td>
<td></td>
</tr>
<tr>
<td>(c) Part 3</td>
<td>18,810,000.00</td>
<td></td>
</tr>
<tr>
<td>3. Consultants’ Services</td>
<td></td>
<td>90%</td>
</tr>
<tr>
<td>(a) Part 1</td>
<td>4,010,000.00</td>
<td></td>
</tr>
<tr>
<td>(b) Part 2</td>
<td>2,591,000.00</td>
<td></td>
</tr>
<tr>
<td>(c) Part 3</td>
<td>2,345,000.00</td>
<td></td>
</tr>
<tr>
<td>4. Resettlement Compensation</td>
<td></td>
<td>100% of amounts disbursed</td>
</tr>
<tr>
<td>(a) Part 1</td>
<td>958,000.00</td>
<td></td>
</tr>
<tr>
<td>(b) Part 2</td>
<td>958,000.00</td>
<td></td>
</tr>
<tr>
<td>(c) Part 3</td>
<td>958,000.00</td>
<td></td>
</tr>
<tr>
<td>5. Training, study tours, workshops and fellowships</td>
<td></td>
<td>100%</td>
</tr>
<tr>
<td>(a) Part 1</td>
<td>556,000.00</td>
<td></td>
</tr>
<tr>
<td>(b) Part 2</td>
<td>481,000.00</td>
<td></td>
</tr>
<tr>
<td>(c) Part 3</td>
<td>423,000.00</td>
<td></td>
</tr>
<tr>
<td>6. Operating Costs</td>
<td></td>
<td>90% for expenditures incurred before June 30, 2009, 80% for expenditures incurred before June 30, 2010, 70% of expenditures incurred before June 30, 2011 and 60% thereafter.</td>
</tr>
<tr>
<td>(a) Part 1</td>
<td>116,000.00</td>
<td></td>
</tr>
<tr>
<td>(b) Part 2</td>
<td>175,000.00</td>
<td></td>
</tr>
<tr>
<td>(c) Part 3</td>
<td>175,000.00</td>
<td></td>
</tr>
<tr>
<td>7. Unallocated</td>
<td></td>
<td></td>
</tr>
<tr>
<td>TOTAL</td>
<td>9,609,000.00</td>
<td></td>
</tr>
</tbody>
</table>
4. For purposes of this Schedule, the term:

(a) “Resettlement Compensation” means the expenditures incurred for the purpose of providing compensation benefits and other services to displaced persons in accordance with the requirements of the Resettlement Policy Framework; and

(b) “Operating Costs” means expenditures incurred for the purpose of financing the costs associated with the purchasing of water chemicals, utilities, office supplies, consumables, fuel, and maintenance of vehicles.

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 December 31, 2012.
## 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 April 15 and October 15:</td>
<td></td>
</tr>
<tr>
<td>commencing April 15, 2018 to and including October 15, 2027</td>
<td>1</td>
</tr>
<tr>
<td>commencing April 15, 2028 to and including October 15, 2047</td>
<td>2</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.
Section I. Definitions

1. “Athi Water Services Board” or “AWSB” means a state corporation established and operating pursuant to the Water Act, 2002 for the purpose of developing, financing and managing water supply and sewerage facilities in selected areas, or any legal successor thereto.

2. “Athi Water Service Board Area” means the Districts of Kajiado, Machakos, Kiambu, Thika and Makueni, Nairobi Province and any other areas that may be delineated and designated by the Recipient in accordance with the Water Act of 2002.


4. “Audit Committee” means the Committee referred to in Section I.A.3(a) of Schedule 2 to this Agreement.

5. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.

6. “Coast Water Services Board” or “CWSB” means a state corporation established and operating pursuant to the Water Act, 2002 for the purpose of developing, financing and managing water supply and sewerage facilities in selected areas, or any legal successor thereto.

7. “Coast Water Services Board Area” means the Districts of Kilifi, Kwale, Lamu, Malindi, Mombasa, Taita/Taveta, Tana River, Bura District and any other areas that may be delineated and designated by the Recipient in accordance with the Water Act.


9. “Environmental and Social Management Framework” or “ESMF” means a framework prepared and adopted by the Recipient on September 12, 2007 outlining the process for the management of the environmental and social aspects
of the Project, and referred to in Section 1.B.8 of Schedule 2 to this Agreement as said framework may be amended from time to time with the prior approval of the Association.

10. “Finance Committee” means the committee referred to in Section I.A.3(b) of Schedule 2 to this Agreement.

11. “General Conditions” means the “International Development Association General Conditions for Credits and Grants”, dated July 1, 2005 (as amended through October 15, 2006).

12. “Grant Agreement” means the Agreement entered into between AWSB and either the Water Services Regulatory Board or the Water Appeal Board and referred to in Section 1.B.5 of Schedule 2 to this Agreement.

13. “Indigenous Peoples” means, a social groups with a distinct social and cultural identity that makes them vulnerable to being disadvantaged in the development process, including the presence in varying degrees of the following characteristics: (i) a close attachment to ancestral territories and to the natural resources in these areas; (ii) self-identification and identification by others as members of a distinct cultural group; (iii) an indigenous language, often different from the national language; (iv) presence of customary social and political institutions; and (v) primarily subsistence-oriented production.

14. “Indigenous Peoples Planning Framework” or “IPPF” means the instrument prepared and adopted by the Recipient on October 5, 2007, which provides guidelines and procedures for the preparation, adoption and implementation of a plan or plans for the consultation with and informed participation of Indigenous Peoples residing or cultivating lands in areas under the Project, and referred to in Section 1.B.8 of Schedule 2 to this Agreement, as said framework may be amended from time to time with the prior approval of the Association.

15. “Institutional Risk Management Policy Framework” means an internal control system of comprehensive risk assessments and risk mitigation that is designed to identify, assess and respond to Project related operational risks and includes but is not limited to the mechanisms for strengthening the internal audit function, measures to further strengthen the Finance and Audit Committees, public disclosure of information and complaints handling mechanisms in the Project Implementing Entities.

16. “Lake Victoria North Water Services Board” or “LVNWSB” means a state corporation established and operating pursuant to the Water Act, 2002 for the
purpose of developing, financing and managing water supply and sewerage facilities in selected areas, or any legal successor thereto.

17. “Lake Victoria North Water Services Board Area” means the Districts of Bungoma, Busia, Kakamega, Vihiga, Mt. Elgon, Lugari, Teso, Butere/Mumias, Uasin Gishu, Nandi North, Trans Nzoia and Marakwet and any other areas that may be delineated and designated by the Recipient in accordance with the Water Act.


19. “Procurement Plan” means the Recipient’s procurement plan for the Project, dated October 25, 2007 and referred to in paragraph 1.16 of the Procurement Guidelines and paragraph 1.24 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.

20. “Program” means the program designed to improve and increase access to water and sanitation services and set forth or referred to in the Letter of Sector Development Policy dated November 5, 2007 from the Recipient to the Association.

21. “Project Coordination Team” means the various representatives from the Project Implementing Entities referred to in Section I A.1 of Schedule 2 to this Agreement.

22. “Project Implementing Entities” means the following water service boards, namely, AWSB, CWSB and LVNWSB as hereinafter defined.

23. “Project Implementing Entity’s Legislation” means the Water Act, 2002 (as hereinafter defined).

24. “Project Implementing Entities’ Service Areas” means the Athi Water Services Board Area, the Coast Water Services Board Area and the Lake Victoria North Water Services Board Area, all as hereinafter defined.

25. “Project Implementing Entities Respective Parts 1, 2, and 3 of the Project.

26. “Resettlement Policy Framework” means the Recipient’s policy framework adopted on September 12, 2007, providing procedures and guidelines for the
preparation, adoption, implementation and monitoring of a plan or plans for carrying out remedial measures for potential impacts of involuntary resettlement on Project affected persons and referred to in Section I.B.8 Schedule 2 to this Agreement, as said framework may be amended from time to time with the prior approval of the Association.

27. “Subsidiary Agreement” means the agreement referred to in Section I.B.1 of Schedule 2 to this Agreement pursuant to which the Recipient shall make part of the proceeds of the Financing available to each respective Project Implementing Entity.

28. “Transfer Plan” means a plan prepared by the Recipient pursuant to the Water Act (as hereinafter defined) for the purpose of transferring the management and operation of water services to the Project Implementing Entities and referred to in Section in I.B.3 of Schedule 2 to this Agreement.

29. “Utilities Provision Agreement” means the Agreement referred to in Section I.B.6 of Schedule 2 to this Agreement.


31. “Water Appeal Board” means a body set up pursuant to the Water Act (as hereinafter defined) for the purpose of adjudicating appeals and disputes arising under the Water Act or any legal successor thereto.

32. “Water Services Regulatory Board” means a body set up pursuant to the Water Act (as hereinafter defined) for the purpose of regulating water and sewerage services including licensing, quality assurance and issuance of guidelines for handling of services complaints, tariffs and prices or any legal successor thereto.

33. “Water Service Boards” means the three Project Implementing Entities namely AWSB, CWSB and LVNWSB as herein defined.

34. “Water Service Providers” or “WSPs” means the bodies established pursuant to the Water Act including but not limited to non-governmental organizations, community based organizations or autonomous entities established by local authorities, contracted by the Project Implementing Entities for the purpose of providing water and sewerage services in the Project Implementing Entities’ Service Areas.