November 27, 2012

Honorable Robinson Njeru Githae
Minister of Finance
Ministry of Finance
Treasury Building
Nairobi, Kenya

Honorable Minister:

Re: Cr. 4657-KE (Kenya Youth Empowerment Project)
Amendment to the Financing Agreement

We refer to Financing Agreement (Agreement) for the above-mentioned Project dated May 20, 2010, between the Republic of Kenya (the Recipient) and the International Development Association (the Association). We also refer to your letter dated December 14, 2011 to the Association requesting a cancellation of Part 1 “Labor Intensive Works and Social Services” of the Project. We are pleased to inform you that the Association concurs with your request and hereby amends the Agreement by: (a) removing Part 1 of the project from the Project Description, (b) removing all references to Part 1 of this project throughout the Agreement and (c) cancelling the proceeds of the Financing allocated to this part of the project, as follows:

1. Section 2.01 is amended by deleting the words “thirty eight million seven hundred thousand” and the numbers “33,700,000” and are replacing them with “eleven million and twenty thousand” and “11 020,000” respectively.

2. Section 3.01 of the Agreement is amended by deleting the following words “Part 1 of the Project through the Office of the Prime Minister (OPM) and the Implementing Line Ministries”

3. Section 5.01 (b) of the Agreement is amended by deleting the following words “OPM” and “each of the Implementing Line Ministries” and replacing the word “have” with “has.”

4. Section 6.01 of the Agreement is amended by deleting the words “Deputy Prime Minister and Minister for Finance” and replacing them with “Minister responsible for Finance.”

5. Section 6.02 of the Agreement is amended by deleting the following words “Deputy Prime Minister and”

6. Schedule 1 (Project Description) to the Agreement is revised as follows:
Paragraph 1 is amended by deleting the words “increase access to youth targeted temporary employment programs and to”
Part 1 of the Project is deleted in its entirety.
Part (b) of the Project is amended by substituting the words “Parts 1 and 2” with “Part 2.”

Section 1 of Schedule 2 (Implementation Arrangements) to the Agreement is revised as follows:

Section 1.A is amended by deleting the words “OPM”
Sections 1.A (2) and (3) are deleted in their entirety.
Section 1.A (4) is renumbered as Section 1.A (2).
Section 1.B (5) is deleted in its entirety.
A new section 1.B (2) has been added and reads as follows:

“The Recipient shall not later than July 31, 2012 strengthen KEPSA’s implementation capacity by recruiting additional staff comprising a project officer, office assistant and an internship assistant with skills and experience under terms of reference satisfactory to the Association.”

Section 1.D is amended by deleting the words “Disclosure of Information and” and Section 1.D (2) is deleted in its entirety and replaced with the following:

“In Implementing Part 3 (b) of the Project, the Recipient shall ensure that the Project Implementing Entity provides the social auditors selected by MOYAs information pertaining to the implementation of Part 2 of the Project and extend it to which this part of the Project meets the requirements of the KYEP Department Operations Manual.”

Section 1.F (Safeguards) is deleted in its entirety.
Section G (15) (Data Management and Auditing) is renumbered as Section 1.F.

Section II of Schedule 2 (Project Monitoring, Reporting and Evaluation) to the Agreement is amended as follows:

Section II.A.1 (e) is amended by renumbering it as Section II.A.1 and deleting the words “set forth in sub-paragraph (b) of this paragraph” and replacing them with the words “satisfactory to the Association.”
Section II.A.1 (f) is deleted in its entirety.
9. The Table in Section IV (Withdrawal of the Proceedings of the Financing) of Schedule 2 to the Agreement is amended as set forth in the attachment to this Agreement.

10. Section IV.B.1 of Schedule 2 to the Agreement is amended by adding a semi colon and the letter a “:(a) after the words “be made”, and deleting the words in paragraph (b) and replacing them with the following: “$650,000 may be made for payments made prior to the date of this Agreement, but on or after January 1, 2012 for Operating Costs.

11. The Appendix (Definitions) is amended as follows:

(a) Paragraph “a” is revised by deleting the period (.) after the words “October 15, 2006” and adding the following words “and revised in January 2011.”

(b) Paragraph “b” is deleted in its entirety.

(c) Paragraph “c” is now renumbered as paragraph “b”.

(d) Paragraph “d” is deleted in its entirety.

(e) The former paragraph “e” is now renumbered as paragraph “c”.

(f) Paragraphs “f” and “g” are deleted in their entirety.

(g) Paragraph “h” is now renumbered as paragraph “d”.

(h) Paragraphs “i”, “j”, “k” and “l” are deleted in their entirety.

(i) Paragraphs “m” and “n” are renumbered as paragraphs “e” and “f” respectively.

(j) Paragraph “o” is deleted in its entirety.

(k) Paragraph “p” is renumbered as paragraph “g”.

(l) Paragraphs “q”, “r”, “s”, and “t” are deleted in their entirety.

(m) Paragraphs “u”, “v”, “w”, “x” and “y” are renumbered as paragraphs “h”, “i”, “j”, “k” and “l” respectively.

(n) The new paragraph 1 is amended by substituting the words “Parts 1 and 2 of the Project” with “Part 2 of the Project.”

(o) Paragraph “z” is deleted in its entirety and paragraphs “aa” and “bb” are renumbered as “m” and “n” respectively.

(p) Paragraph “cc” and “dd” are deleted in their entirety.

(q) A new paragraph “o” is added and reads as follows:

“‘Operating Costs’ means the reasonable and necessary expenses incurred by the Recipient with respect to project implementation, management and monitoring, including salaries and benefits, communications, editing, printing and publication, translation, workshops, vehicle operation and maintenance, costs of utilities and supplies (rent, telephones, transport, airtime), local travel costs and field trip expenses, and electronic fees for stipends, but excluding any salaries and social charges of the Recipient’s civil or public servants.”

(r) Paragraphs “cc” and “dd” are deleted in their entirety and paragraphs “ee”, “ff” are renumbered as paragraphs “p” and “q” respectively.
(s) Paragraph “gg” is deleted in its entirety and paragraph “hh” and “ii” are renumbered as paragraphs “s” and “t” respectively.
(t) Paragraphs “jj”, “kk” and “ll” are deleted in their entirety.
(u) Paragraph “nn” is renumbered as “u” and amended by deleting the words “selection of subprojects and youth under the KKV program.”
(v) Paragraph “nn” is renumbered as “y” and substituting the words “Section 1.F (10)” with the words Section 1.E.
(w) Paragraph “oo”, “pp” and “qq” are deleted in their entirety.
(x) Paragraph “rr” is renumbered as paragraph “v” and
(y) Paragraph “ss” is deleted in its entirety.

All the terms and conditions of the Agreement, as amended hereby, shall remain in full force and effect.

Please confirm your agreement to the foregoing amendment by signing, dating and returning to us the attached copy of this letter. This amendment will become effective as of date of countersignature upon receipt by the Association of the countersigned copy of this letter.

Sincerely,
INTERNATIONAL DEVELOPMENT ASSOCIATION

[Signature]
Johannes Zutt
Country Director for Kenya
Africa Region

CONFIRMED
REPUBLIC OF KENYA
By: [Signature]
Authorized Representative
Title: Minister for Finance
Date: 14-12-2012
### Attachment

**SCHEDULE 1**

**Withdrawal of the Proceeds of the Credit**

1. The table below sets forth the Categories of items to be financed out of the proceeds of the Credit, the allocation of the amounts of the Credit to each Category and the percentage of expenditures for items to be financed 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. Cancelled amount as of December 14, 2011 for Part 1 of the Project</td>
<td>27,680,000</td>
<td>100%</td>
</tr>
<tr>
<td>2. Goods, works, consultant services, internship stipends and Operating Costs for Part 2 of the Project</td>
<td>10,080,000</td>
<td>100%</td>
</tr>
<tr>
<td>3. Goods, works, consultant services and Operating Costs for Part 3 of the Project</td>
<td>940,000</td>
<td>100%</td>
</tr>
<tr>
<td><strong>Subtotal</strong></td>
<td><strong>11,020,000</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Original Credit Amount</strong></td>
<td><strong>38,700,000</strong></td>
<td></td>
</tr>
</tbody>
</table>