Financing Agreement
(Amending and Restating Financing Agreement)
(Kenya Water Security and Climate Resilience Project)

between

REPUBLIC OF KENYA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated 07th SEP , 2015
FINANCING AGREEMENT

AGREEMENT dated 1st Sept, 2015, entered into between REPUBLIC OF KENYA ("Recipient") and INTERNATIONAL DEVELOPMENT ASSOCIATION ("Association"). The Recipient and the Association hereby agree as follows:

WHEREAS (A) under an agreement dated July 29, 2013, between the Association and the Recipient ("Original Financing Agreement"), the Association agreed to provide the Recipient with a credit ("Original Credit") in an amount equivalent to one hundred three million four hundred thousand Special Drawing Rights (SDR103,400,000) to assist in financing the project described in Schedule 1 to the Original Financing Agreement ("Original Project");

(B) the Recipient has requested the Association to provide an additional financial assistance ("Additional Credit") in support of activities related to the Original Project, as amended and restated; and

WHEREAS (C) the Association has agreed, on the basis, inter alia, of the foregoing to extend such additional assistance to the Recipient upon the terms and conditions set forth in this Agreement.

NOW THEREFORE, the Recipient and the Association hereby agree to amend and restate the Original Financing Agreement with effect as of the Effective Date of this Agreement, to read 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 one hundred forty-four million seven hundred thousand Special Drawing Rights (SDR 144,700,000) (variously referred to as, “Credit” and “Financing”), which consists of: (a) the Original Credit in various currencies equivalent to one hundred three million four hundred thousand Special Drawing Rights (SDR103,400,000); and (b) the Additional Credit in various currencies equivalent to forty-one million three
hundred thousand Special Drawing Rights (SDR 41,300,000) 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.

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 for both the Original Credit and the Additional Credit are April 15 and October 15 in each year.

2.06. The principal amount: (a) of the Original Credit shall be repaid in accordance with the repayment schedule set forth in Section I of Schedule 3 to this Agreement; and (b) of the Additional Credit shall be repaid in accordance with the repayment schedule set forth in Section II of 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. To this end, the Recipient shall carry out the Project in accordance with the provisions of Article IV of the General Conditions.

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 — EFFECTIVENESS; TERMINATION

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

4.02. 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 (20) years after the date of this Agreement.
ARTICLE V — REPRESENTATIVE; ADDRESSES

5.01. The Recipient’s Representative is the Cabinet Secretary for the National Treasury responsible for finance.

5.02. The Recipient’s Address is:

The National Treasury
Treasury Building
P.O Box 30007-00100
Nairobi, Kenya

Cable address: Telex: Facsimile:
FINANCENairobi 22921minfin-ke + (254) 20 330426

5.03. The Association’s Address is:

International Development Association
1818 H Street, N.W.
Washington, D.C. 20433
United States of America

Cable: Telex: Facsimile:
INDEVAS 248423 (MCI) 1-202-477-6391
SCHEDULE 1

Project Description

The objectives of the Project are to: (i) increase availability and productivity of irrigation water for project beneficiaries; and (ii) enhance the institutional framework and strengthen capacity for water security and climate resilience in certain areas of the territory of the Recipient.

The Project consists of the following parts:

Part 1: Water Resources Development

(a) Carrying out activities to strengthen water resources management and development in the Nzoia River, including to: (i) implement the first phase of the Lower Nzoia Irrigation Scheme and related activities, including, inter alia: (A) constructing and facilitating the efficient use of the irrigation and drainage infrastructure; (B) strengthening the Irrigation Water Users Associations; and (C) supporting agricultural production and facilitating the linkages between farmers and the private sector through financing of the Operating Costs, the provision of technical advisory services and goods, and the carrying out of works required for that purpose; (ii) to strengthen watershed management in the Nzoia River; and to increase flood preparedness including flood forecasting and early warning, and (iii) rehabilitation and construction of new dykes and related infrastructure in the lower Nzoia River.

(b) Carrying out activities to strengthen water resource management and development in Mombassa County, including (i) activities to reform and strengthen water sector institutions; and (ii) implementation of a non-revenue water reduction program, and establishment of district metering authorities.

(c) Carrying out preparatory activities for new water sector investments including, inter alia: (i) preparing planning studies, analysis, pref easibility and feasibility studies and detailed designs; and (ii) developing relevant operations manuals and safeguards instruments, all through the provision of technical advisory services and goods required for that purpose.

(d) Reviewing and strengthening the Investment Framework to guide the planning, preparation and implementation of water investments, through provision of technical advisory services.

Part 2: Effective Water Sector Institutions

(a) Carrying out activities to support the institutional and legal reforms in the water sector including, inter alia: (i) finalization of the Water Sector Transition Plan;
AGREED at NAIROBI, KENYA, as of the day and year first above written.

REPUBLIC OF KENYA

By

Authorized Representative

Name: HENRY K. ROYICH
Title: CABINET SECRETARY, THE NATIONAL TREASURY

INTERNATIONAL DEVELOPMENT ASSOCIATION

By

Authorized Representative

Name: DIARIE TON GAYE
Title: COUNTRY DIRECTOR
(ii) developing and implementing plans for the transition of functions and mandates from the current to the new water sector institutions; (iii) carrying out organizational studies to determine the institutional structure and staffing levels; (iv) increasing capacity of new and existing water sector institutions; and (v) promoting public participation and building consensus around the reform effort through provision of goods, training and technical advisory services required for that purpose.

(b) Carrying out activities to support the water sector transition process, such activities to include, inter alia: (i) developing, reviewing and updating the water sector strategies policies and laws to align them with the Recipient’s Constitution of 2010; (ii) developing relevant subsidiary legislation; and (iii) piloting the design of the new water organizations at the local level through provision of technical advisory services, training and goods required for that purpose.

(c) Strengthening the capacity of water sector institutions in water management, planning and climate resilience including, inter alia: (i) establishing a water resources knowledge base; (ii) developing a basin planning decision support system and other specialized analytical products to improve water resources planning and allocation; (iii) assessing institutional capacity needs and developing and implementing capacity building plans; (iv) constructing sub-basin operational centers and enhancement of water quality laboratories and offices; and (v) promoting stakeholder participation in programs; through provision of technical advisory services, training and goods, financing of Operating Costs and carrying out of works required for that purpose.

Part 3: Support for Project Implementation

Strengthening the capacity of the PMU through provision of technical advisory services, incremental staff, training, office equipment, vehicles and financing its Operating Costs.
SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements

Ministry of Environment, Water and Natural Resources

1. The Ministry of Environment, Water, and Natural Resources (MEWNR) shall be responsible for the overall coordination and implementation of the Project.

Project Management Unit

2. The Recipient shall: (a) maintain, within MEWNR, throughout the implementation of the Project, a Project Management Unit ("PMU") comprising a project manager, technical manager, senior procurement officer, financial management officer, and other staff as needed with concurrence of the Association with qualifications and skills satisfactory to the Association; and (b) ensure that the PMU has adequate resources to promote effective implementation of the Project.

3. Without limitation to the provisions of paragraph 2 above, the PMU shall be responsible for coordinating the implementation of the Project, procurement and financial management, and reporting and oversight of implementation of the environmental and social safeguard instruments under the Project.

National Irrigation Board PIU

4. In order to achieve the objectives of Part 1(a) of the Project, the Recipient shall maintain throughout the implementation of the Project, an NIB PIU with adequate resources, including staff with qualifications, experience and terms of reference satisfactory to the Association.

5. Without limitation to the foregoing, the NIB PIU shall be responsible for providing specific advice in the areas of irrigation and rural development in relation to the implementation of the first phase of the Lower Nzoia Irrigation Scheme, stakeholder mobilization, and monitoring and evaluating the sub-project activities, and

Other

6. If at such time in the future, an entity (county or otherwise) has a "Sub-Project" falling entirely within its jurisdiction and has developed sufficient capacity to implement the Sub-project, the Recipient may, through MEWNR, take the actions set forth below:
(a) at such time as the entity (county or otherwise) in whose jurisdiction the Sub-Project is being implemented has developed, in accordance with guidelines elaborated in the Project Implementation Manual, the necessary technical, organizational, managerial and financial capacity to carry out the Sub-Project, and has met such other eligibility criteria as are set forth in the Project Implementation Manual, enter into an agreement, under terms and conditions acceptable to the Association, with the entity (county or otherwise) ("Project Implementation Agreement"), pursuant to which:

(i) the Recipient’s design, procurement and contract management responsibilities in respect of the said Sub-Project shall be transferred to, and assumed by, such entity (county or otherwise) under suitable arrangements; and

(ii) the Recipient shall obtain rights adequate to protect its interests and those of the Association, including the right to: (A) suspend or terminate the right of the entity (county or otherwise) to benefit from all or any part of the amount of the funds allocated, upon the entity’s (county or otherwise) failure to perform any of its obligations under the Project Implementation Agreement; and (B) require the entity (county or otherwise) to: (aa) carry out the Project with due diligence and efficiency and environmental and social standards and practices satisfactory to the Association, including in accordance with the provisions of the Anti-Corruption Guidelines and all Safeguard Instruments applicable to the Project; (bb) provide, promptly as needed, the resources required for the purpose; (cc) procure the goods, works and services to be financed out of the financing in accordance with the provisions of Section III of this Schedule; (dd) maintain policies and procedures adequate to enable it to monitor and evaluate in accordance with indicators acceptable to the Association, the progress of the Sub-Project and the achievement of its objectives; (ee) enable the Recipient and the Association to inspect the Sub-Project, its operation and any relevant records and documents; and (ff) prepare and furnish to the Recipient and the Association all such information as the Recipient or the Association shall reasonably request relating to the foregoing.

7. The Recipient shall perform its obligations and exercise its rights under each Project Implementation Agreement 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 any Project Implementation Agreement or any of its provisions.
Project Steering Committee

8. The Recipient shall maintain the Project Steering Committee with adequate resources and terms of reference satisfactory to the Association.

9. Without limitation to the foregoing, the functions of the Inter-Ministerial Project Steering Committee shall include: (a) providing high level strategic guidance on Project planning and implementation; (b) facilitating overall coordination of the Project; and (c) where appropriate, endorsing Project annual work plans and budgets for forwarding to the Association for its subsequent approval.

B. Annual Work Plan and Budget

1. The Recipient shall prepare and furnish to the Association not later than March 31st of each Fiscal Year during the implementation of the Project, a work plan and budget containing all activities proposed to be included in the Project during the following Fiscal Year, and a proposed financing plan for expenditures required for such activities, setting forth the proposed amounts and sources of financing therefor.

2. Each such proposed work plan and budget shall specify any Training activities that may be required under the Project.

3. The Recipient shall afford the Association a reasonable opportunity to exchange views with the Recipient on each such proposed work plan and budget and shall thereafter ensure that the Project is implemented with due diligence during said following Fiscal Year in accordance with such work plan and budget as shall have been approved by the Association ("Annual Work Plan and Budget").

4. The Recipient shall not make or allow to be made any changes to the approved Annual Work Plan and Budget without prior approval in writing by the Association.

C. Anti-Corruption

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

D. Safeguards

1. The Recipient shall ensure that the Project is implemented in accordance with Safeguard Frameworks and the Safeguard Instruments. To that end, if any Project activities would, pursuant to the relevant Safeguard Framework, require the preparation of a Safeguard Instrument, the Recipient shall ensure that said activities shall not be implemented unless and until said Safeguard Instrument has been: (a) prepared, in accordance with the relevant Safeguard Framework and
furnished to the Association for approval; (b) disclosed following approval of the Association; and (c) all measures required to be taken thereunder prior to the commencement of said activities, have been taken. Except as the Association shall otherwise agree in writing, and subject to compliance with the same consultation and information disclosure requirements as applied to the adoption of the aforesaid Safeguard Instruments in the first instance, the Recipient shall not amend or waive any provision of the Safeguard Instruments.

2. The Recipient shall, in its Project Reports, report on progress made on compliance with the Safeguards Instruments under the Project, giving details of measures taken in furtherance of the Safeguard Instruments and any conditions which interfere or threaten to interfere with the timely implementation of the Safeguards Instruments, and remedial measures taken or required to be taken to address such conditions.

3. All advisory, analytical planning, institutional capacity building, strategizing and such other services carried out under the Project shall be carried out according to terms of reference, satisfactory to the Association, requiring such services to deliver products which take into account, and are consistent with, the Association’s social and environmental safeguard policies.

E. Social Accountability

The Recipient shall, throughout the implementation of the Project, ensure that there are adequate Social Accountability Mechanisms to ensure that stakeholders in the water sector participate in the monitoring of the use of Project resources.

F. Training

The Recipient shall ensure that no training or workshop proposed under the Project shall be carried out unless and until: (a) the Recipient shall have prepared and furnished to the Association: (i) the objective and content of the training or workshop envisaged; (ii) the selection method of the institutions or individuals conducting such training or workshop, and said institutions if already known; (iii) the expected duration and an estimate of the cost of said training or workshops; and (iv) the selection method of the personnel who will attend the training or the workshop, and said personnel if already known; and (b) the Association has approved said Training or workshop.

G. Project Implementation Manual

1. The Recipient shall implement the Project in compliance with a Project Implementation Manual (PIM) in form and substance satisfactory to the Association setting out in detail the rules, procedures, standards and guidelines for the implementation of the Project, including: (a) administrative arrangements; (b) procurement, financial management and disbursement arrangements; (c) the
initial Investment Framework; and (d) such other arrangements as shall be required for the Project to ensure that the Project is carried out in accordance with said PIM.

2. In the event of any inconsistency between the provisions of the PIM and this Agreement the provisions of this Agreement shall govern.

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports

1. The Recipient shall monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 4.08 of the General Conditions and on the basis of indicators acceptable to the Association. Each Project Report shall cover the period of one calendar semester, and shall be furnished to the Association not later than one month after the end of the period covered by such report.

2. 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 forty-five (45) days.

3. Forty-eight (48) months after the Effective Date, the Recipient shall, in conjunction with the Association, carry out a mid-term review of the Project (the “Mid-term Review”), covering the progress achieved in the implementation of the Project. The Recipient shall prepare and furnish to the Association not less than three (3) months prior to the beginning of the Mid-term Review, a report integrating the results of the monitoring and evaluation activities performed pursuant to this Agreement, on the progress achieved in the carrying out of the Project during the period preceding the date of such report, and setting out the measures recommended to ensure the efficient carrying out of the Project and the achievement of the objective of the Project during the period following such date. Following the Mid-term Review, the Recipient shall act promptly and diligently in order to take, or cause to be taken, any corrective action deemed necessary by the Association to remedy any shortcoming noted in the carrying out of the Project in furtherance of the objective of the Project.

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. The Recipient shall prepare and furnish to the Association not later than forty-five (45) 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 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, commencing with the fiscal year in which the first withdrawal was made under the Preparation Advance for the Project. 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.

Section III. Procurement

A. General

1. Goods, Works and Non-consulting Services. All goods, works and non-consulting 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 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 Sections II and III of the Procurement Guidelines, or Sections II, III, IV and V of the Consultant Guidelines, as the case may be.

B. Particular Methods of Procurement of Goods, Works and Non-consulting Services

1. International Competitive Bidding. Except as otherwise provided in paragraph 2 below, goods, works and non-consulting services shall be procured under contracts awarded on the basis of International Competitive Bidding.
2. **Other Methods of Procurement of Goods, Works and Non-consulting Services.** The following methods, other than International Competitive Bidding, may be used for procurement of goods, works and non-consulting services for those contracts specified in the Procurement Plan:

<table>
<thead>
<tr>
<th>Method</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a) Limited International Bidding</td>
</tr>
<tr>
<td>(b) National Competitive Bidding, subject to the provisions set forth in paragraph 3 of this Section B</td>
</tr>
<tr>
<td>(c) Shopping</td>
</tr>
<tr>
<td>(d) Procurement under Framework Agreements in accordance with procedures which have been found acceptable to the Association</td>
</tr>
<tr>
<td>(e) Direct Contracting</td>
</tr>
<tr>
<td>(f) Procurement under Public Private Partnership Arrangements in accordance with procedures which have been found acceptable to the Association</td>
</tr>
</tbody>
</table>

3. The following additional provisions shall apply to National Competitive Bidding:

   (a) The tender submission date shall be set at least thirty (30) days after the later of (i) the date of advertisement; and (ii) the date of availability of the tender documents.

   (b) Recipient-owned enterprises shall be allowed to participate in the tendering only if they can establish that they are legally and financially autonomous, operate under commercial law and are independent agencies of the Recipient’s government.

   (c) Bidding documents and tender documents shall contain, *inter alia*, draft contracts and conditions of contracts, including provisions on fraud and corruption, audit and publication of award and shall be in form and substance satisfactory to the Association.

   (d) Extension of tender validity shall be allowed once only, and for not more than thirty (30) days, unless otherwise previously agreed in writing by the Association.
(c) Tender evaluation shall be based on quantifiable criteria expressed in monetary terms as defined in the tender documents, and not on a merit points system.

(f) No domestic preference shall be used in the evaluation of tenders. Accordingly, contracts shall be awarded to qualified tenderers who have submitted the lowest evaluated substantially responsive tender.

(g) Notification of contract award shall constitute formation of the contract. No negotiation shall be carried out prior to contract award.

(h) The two envelope bid opening procedure shall not apply.

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 methods, other than Quality and Cost-based Selection, may be used for procurement of consultants’ services for those contracts which are specified in the Procurement Plan:

<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>(c) Least Cost Selection</td>
</tr>
<tr>
<td>(d) Selection Based on Consultants Qualifications</td>
</tr>
<tr>
<td>(e) Single Source Selection of consulting firms</td>
</tr>
<tr>
<td>(f) Well-established Private Sector Procurement Methods or Commercial Practices which have been found acceptable to the Association</td>
</tr>
<tr>
<td>(g) Selection of consultants under Indefinite Delivery Contract or Price Agreement;</td>
</tr>
<tr>
<td>(h) Procedures set forth in paragraphs 5.2 and 5.3 of the Consultant Guidelines for the Selection of Individual Consultants</td>
</tr>
<tr>
<td>(i) Single-source procedures for the Selection of Individual Consultants</td>
</tr>
</tbody>
</table>
D. Review by the Association of Procurement Decisions

The Procurement Plan shall set forth those contracts which shall be subject to the Association’s Prior Review. 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 2 below.

2. 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 Financing 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 Original Credit Allocated (expressed in SDR)</th>
<th>Amount of the Additional 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></td>
<td></td>
</tr>
<tr>
<td>(a) Goods under Part 1.(a).(i) of the Project</td>
<td>0</td>
<td>0</td>
<td>0%</td>
</tr>
<tr>
<td>(b) Goods (excluding Goods under Part 1.(a).(i) of the Project)</td>
<td>30,342</td>
<td>0</td>
<td>100%</td>
</tr>
<tr>
<td>(2) Works</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(a) Under Part 1.(a).(i) of the Project</td>
<td>0</td>
<td>0</td>
<td>0%</td>
</tr>
<tr>
<td>(b) Under Part 2.(c).(iv) of the Project</td>
<td>0</td>
<td>0</td>
<td>0%</td>
</tr>
<tr>
<td>(3) Consultants Services</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(a) Consultants Services under Part 1.(a).(i) of the Project</td>
<td>0</td>
<td>0</td>
<td>0%</td>
</tr>
<tr>
<td>(b) Consultants Services (excluding Consultants Services under Part 1.(a).(i) of the Project)</td>
<td>1,072,303</td>
<td>0</td>
<td>100%</td>
</tr>
<tr>
<td>(4) Operating Costs</td>
<td>8,220,000</td>
<td>0</td>
<td>100%</td>
</tr>
<tr>
<td>(5) Refund of Preparation Advance</td>
<td>666,850</td>
<td>0</td>
<td>Amount payable pursuant to Section 2.07 of the General Conditions</td>
</tr>
<tr>
<td>(6) Unallocated</td>
<td>2,410,000</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>(7) Goods, works, Consultants services and Training (under all Parts of the Project)</td>
<td>91,000,505</td>
<td>41,300,000</td>
<td>100%</td>
</tr>
<tr>
<td><strong>TOTAL AMOUNT</strong></td>
<td><strong>103,400,000</strong></td>
<td><strong>41,300,000</strong></td>
<td></td>
</tr>
</tbody>
</table>
B. Withdrawal Conditions; Withdrawal Period

1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made under Categories 1 through 3 of the Original Credit after the Effective Date of this Agreement.

2. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made out of the proceeds of the Additional Credit for payments made prior to the date of this Agreement.

3. The Closing Date is December 31, 2022.

Section V. Other Undertaking

1. The Recipient shall promptly provide its Counterpart Funds representing 10% of the Additional Credit Amount to finance all costs not covered by this Financing Agreement, including the costs for land acquisition.
SCHEDULE 3

I. Repayment Schedule for the Original Credit

<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 October 15, 2023 to and including April 15, 2033</td>
<td>1%</td>
</tr>
<tr>
<td>Commencing October 15, 2033 to and including April 15, 2053</td>
<td>2%</td>
</tr>
</tbody>
</table>

II. Repayment Schedule for the Additional Credit

<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 October 15, 2021, to and including April 15, 2053</td>
<td>1.56250</td>
</tr>
</tbody>
</table>

* The percentages represent the percentage of the principal amount of the Financing to be repaid, except as the Association may otherwise specify pursuant to Section 3.03(b) of the General Conditions.
APPENDIX

Section I. Definitions

1. “Annual Work Plan and Budget” means the work plan and budget prepared annually by the Recipient and approved by the Association in accordance with Section I.B of Schedule 2 to this Agreement; and “Annual Work Plans and Budgets” means more than one Annual Work Plan and Budget.


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


6. “Displaced Person” means a person who, on account of the execution of an activity under the Project, has experienced or would experience direct economic and social impacts caused by the involuntary taking of land, resulting in: (i) relocation or loss of shelter; (ii) loss of assets or access to assets, or (iii) loss of income sources or means of livelihood, whether or not such person must move to another location resulting in adverse impacts on the livelihood of such person; and “Displaced Persons” means more than one such person.

7. “Environmental and Social Impact Assessment” or “ESIA” means, with respect to each activity under the Project pursuant to which the ESMF requires an environmental and social impact assessment, such assessment carried out pursuant to Section I.D of Schedule 2 to this Agreement, in accordance with the ESMF; and “ESIAs” means more than one ESIA.

forth the modalities for environmental screening and procedures for the preparation and implementation of environmental and social impact assessments, and environmental and/or social management plans under the Project, and such term includes all schedules and annexes to the ESMF.

9. “Environmental and Social Management Plan” or “ESMP” means, with respect to each activity under the Project pursuant to which the ESMF and the ESIA of said activity shall require the preparation of an environmental and social management plan, such plan, acceptable to the Association, prepared in accordance with the ESMF and ESIA pursuant to the provisions of Section I.D of Schedule 2 to this Agreement; and “ESMPs” means more than one ESMP.


11. “Integrated Pest Management Framework” or “IPMF” means the Recipient’s framework for the Project, dated February 13, 2013, prepared as part of the ESMF for the purpose of selecting, implementing and evaluating pest management practices.

12. “Integrated Pest Management Plan” or “IPMP” means, with respect to each activity under the Project pursuant to which the IPMF requires the preparation of an integrated pest management plan, such plan, acceptable to the Association, prepared in accordance with the IPMF pursuant to the provisions of Section I.D of Schedule 2 to this Agreement; and “IPMPs” means more than one IPMP.

13. “Investment Framework” means an analytical tool, satisfactory to the Association, for guiding and improving the preparation and implementation of water sector investments.

14. “Irrigation Water Users Association” means an association formed by persons for purposes of managing water resources used for irrigation or as may otherwise be defined under the Recipient’s Law.

15. “Ministry of Agriculture, Livestock and Fisheries” means the Recipient’s Ministry responsible for agriculture, livestock and fisheries or its legal successor thereto.

16. “Ministry of Environment, Water, and Natural Resources” or “MEWNR” means the Recipient’s ministry responsible for water, environment and natural resources or any of its legal successors.

17. “National Irrigation Board” or “NIB” means a semi-autonomous state-owned entity responsible for planning, construction, settling and managing national irrigation schemes, duly established and operating pursuant to the Recipient’s Irrigation Act, Cap 347 of 1966, or any legal successor thereto.
18. "NIB PIU" means a unit established within the NIB responsible for executing activities under the first phase of the Lower Nzoia Irrigation Project and referred to in Section 1.A.(4) of Schedule 2 to this Agreement.

19. "Operating Costs" means the reasonable incremental expenses on account of Project implementation, based on the Annual Work Plan and Budget, and consisting of expenditures for vehicle operation and maintenance, maintenance of equipment, communication and insurance costs, office administration costs, bank charges, advertising expenses, travel and *per diem*, administrative support staff salaries (excluding the salaries of the Recipient’s civil servants).

20. "Preparation Advance" means the advance referred to in Section 2.07 of the General Conditions, granted by the Association to the Recipient pursuant to the letter agreement signed on behalf of the Association on December 21, 2011 and on behalf of the Recipient on January 5, 2012.

21. "Project Implementation Agreement" means the agreement referred to in paragraph 6 of Section I.A of Schedule 2 to this Agreement.

22. "Project Implementation Manual" or "PIM" means the manual dated April 15, 2013, prepared by the Recipient and approved by the Association, in accordance with Section I.G of Schedule 2 to this Agreement, covering the detailed and comprehensive Project implementation modalities, as the same may be amended from time to time with the prior written agreement of the Association, and such term shall include any schedules, tables and annexes to the PIM.


24. "Procurement Plan" means the Recipient’s procurement plan for the Project, dated February 19, 2013, and referred to in paragraph 1.18 of the Procurement Guidelines and paragraph 1.25 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.

25. "Project Management Unit" or “PMU” means the unit established by the Recipient within MEWNR referred to in Section I.A.2(a) of Schedule 2 to this Agreement.

26. "Project Steering Committee" means the Recipient’s committee established for the purposes of the Project and referred to in Section I.A.8 of Schedule 2 to this Agreement under the leadership of the Principal Secretary of MEWNR and comprising the principal secretaries of the primary water related ministries, including The National Treasury, Ministry of Agriculture, Livestock and Fisheries and any other ministries which may be designated by the Recipient, and the relevant county governments.
27. "Resettlement Policy Framework" or "RPF" means the Recipient’s resettlement policy framework for the Project, dated February 18, 2013, and as revised in March 18, 2015, containing guidelines, procedures, timetables and other specifications for the provision of compensation, rehabilitation and resettlement assistance to Displaced Persons as said framework may be amended from time to time with the prior approval of the Association.

28. "Resettlement Action Plan" or "RAP" means the Recipient’s "Resettlement Action Plan", dated February 13, 2013, prepared and disclosed in accordance with the Resettlement Policy Framework, the “Resettlement Action Plan” for the Improvement of Flood Water Structures along the Lower Reaches of River Nzoia – Budalangi, Kenya, and any other RAP prepared under the Project, which, inter alia: (i) provides for a socio economic baseline and census survey of Displaced Persons and valuation of their assets; (ii) describes entitlements to compensation and other resettlement assistance to be provided to Displaced Persons, consultation to be conducted with Displaced Persons about acceptable alternatives, institutional responsibilities for the implementation and procedures for grievance redress, and arrangements for monitoring and evaluation; and (iii) sets out a timetable and budget for the implementation of such measures.

29. "Safeguard Frameworks" means, collectively, the ESMF, IPMF, VMGF and RPF; and “Safeguard Framework” means any one of the Safeguard Frameworks.

30. "Safeguard Instrument" means, in respect of a given Project activity: (a) for which the ESMF requires an ESIA, said ESIA; (b) for which the ESIA requires an ESMP, said ESMP; and (c) for which the RPF requires a RAP, said RAP; (d) for which a VMGF requires a VMGP, said VMGP; and (e) for which the IPMF requires an IPMP, said IPMP; all as shall have been prepared in accordance with the provisions of Section I.D of Schedule 2 to this Agreement.

31. "Social Accountability Mechanisms" means the measures, set forth in the Project Implementation Manual, to be taken by the Recipient for periodic disclosure of information related to the Project, and this term includes information on budget allocation, allocation of funds, Project operational results, Project implementation progress, audit findings; reports on corruption and fraud; and mechanisms for public complaints and feedback.

32. "Sub-Project" means the set of activities carried out in a specific County, consistent with paragraph 6 of Section I.A of Schedule 2 to this Agreement.

33. "Training" means the reasonable costs of seminars, workshops and study tours required for the Project, agreed with the Association, including tuition, travel, subsistence allowances for training participants, trainers’ fees, rental of training facilities, preparation and reproduction of training materials and other activities incidental to the preparation and implementation of such training activities.
34. “The National Treasury” or “TNT” means the ministry responsible for finance.

35. “Vulnerable and Marginalized Groups” or “VMGs” means distinct, vulnerable, social and cultural groups that may be identified pursuant to the requirements of the VMGF for the purpose of this Project.

36. “Vulnerable and Marginalized Groups Framework” or “VMGF” means the instrument entitled “Vulnerable and Marginalized Groups Framework” dated February 13, 2013, and as revised on April 9, 2015, providing guidelines and procedures for identification of VMGPs, and preparation, adoption and implementation of a plan or plans for consultation with, and informed participation of VMGs affected by the Project, as said framework may be amended from time to time with the prior written approval of the Association.

37. “Vulnerable and Marginalized Groups Plan” or “VMGP” means the plan which set out the measures to be carried out by the Recipient to ensure that: (a) VMGs affected by the project receive culturally appropriate social and economic benefits; and (b) when potential adverse effects on VMGs are identified, those adverse effects are avoided, minimized, mitigated or compensated for.

38. “Water Resources Management Authority” or “WRMA” means a state corporation established and operating pursuant to the Water Act, 2002 for the purpose of regulating water resources management, or its legal successor thereto.

39. “Water Sector Transition Plan” means the transition plan prepared by the Ministry of Water and Irrigation as the guide for implementing transition of functions and mandates in current and new water sector institutions.