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

Dear Hon. Githae,

Republic of Kenya: Western Kenya Community Driven Development  
and Flood Mitigation Project  
Credit No: 4278-KE  
Amendment to the Financing Agreement

We refer to the Financing Agreement (Agreement) for the above-mentioned  
Project dated May 7, 2007 (as amended) between the Republic of Kenya (the Recipient)  
and the International Development Association (Association). We also refer to your  
letter dated June 18, 2012 requesting amendments to the Agreement to promote a more  
effective implementation of the Project. I am pleased to notify you that the Association  
concurs with your request and amends the Agreement as follows:

1. Schedule 1 (Project Description) is hereby amended as follows:
   (i) Part 1 (a) (v) is amended by deleting the letter “a” between “up” and “self-  
sustaining” and substituting the word “Community Foundations” with “Community  
Foundation”.
   (ii) Part (2) (a) is amended by deleting the words “and Yala” and deleting the  
letter “s” in the word “Basins.”
   (iii) Part 3 (d) is amended by deleting the word “and” between the words  
“system” and “an”.

2. Schedule 2 (Project Execution) is amended as follows:
   (i) Section I.A (2) is amended by deleting the word “establish District  
Steering Group” with maintains a Sub-County Steering Group” and  
substituting the word “district” with “Sub-county level”.
   (ii) Section I.A (3) is amended by substituting the word “District Coordinating  
Unit (DCU)” with “Sub-county Coordinating Unit” and “District Project  
Coordinator” with “Sub-county Project Coordinator”.

July 17, 2012
(iii) Section 1.A (4) the word “Community Development Committees” is substituted with the word “Community Driven Development Committees (CDDC)”.

(iv) Section B.2 is amended by substituting the word “Indigenous Peoples Planning Framework” with “Vulnerable and Marginalized Group Framework”.

(v) Section 1.C (2) is amended by deleting the letter “a” between “up” and “community” and the word “Foundations” is substituted with the word “Foundation”.

3. Section II.A (2) is deleted in its entirety and the former paragraphs 3 and 4 are renumbered as paragraph 2 and 3 and a new paragraph Section II.A (3) (d) is added and reads as follows:

“Not later than January 30, 2013 recruit an integrated fiduciary review agent to carry out fiduciary oversight of the project under terms of reference satisfactory to the Association”.

4. Section III (Procurement) is amended as follows: The table in Section III. B is amended by adding an asterisk “*” after the word “National Competitive Bidding” and adding two asterisk “**” after the word shopping. The following is added at the bottom of the table:

“(*) National Competitive Bidding shall be undertaken in accordance with the Recipient’s Public Procurement and Disposal Act, 2005 (no. 3 of 2005) (herein referred to as the “PPDA”), and its Public Procurement Disposal Regulations, 2006 (herein referred to as the “Regulations”), as may be amended from time to time, subject, however, to the following qualifications:

(i) The tender submission date shall be set so as to allow a period of at least thirty (30) days from the later of (A) the date of advertisement, and (B) the date of availability of the tender documents.

(ii) 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.

(iii) The Recipient shall use, or cause to be used, bidding documents and tender documents containing, inter alia, draft contracts and conditions of contracts, including provisions on fraud and corruption, audit and publication of award in form and substance satisfactory to the Association.
(iv) 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.

(v) Evaluation tender shall be based on quantifiable criteria expressed in monetary terms as defined in the tender documents, and not on a merit points system.

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

(vii) Notification of contract award shall constitute the formation of the contract. No price negotiations shall be allowed prior to contract award except where the bid price is substantially above the market or budget levels and, only then, if negotiations are carried out with a view to reach a satisfactory contract through reduction in scope and/or reallocation of risk and responsibility which can be reflected in a reduction in contract price.

(**) Shopping procedure will apply for each low value contract in lieu of Direct Procurement except as otherwise previously agreed in writing by the Association.

5. The table in Section IV.A (2) of Schedule 2 is amended as set forth in the Annex and Section IV.B.2 is amended by substituting the word “Foundation” with “Foundations”.

6. Section III.D of Schedule 2 is deleted in its entirety and substituted with the following:

“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”.

7. The Appendix to the Agreement is amended as follows:

(i) New Paragraph 2 is added to read as follows: “Anti-Corruption Guidelines” means the “Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants”, dated October 15, 2006 and revised in January 2011.

(ii) Paragraphs 1-10 are renumbered as paragraphs 2-11.

(iii) Paragraph 12 is deleted in its entirety and paragraphs 13-30 are now renumbered paragraphs 12-30.
(iv) Paragraph 22 on "Project Area" is amended by deleting the words "and Yala" River Basin and "s" and substituting them with the words "excluding gazetted and protected areas".

(v) A new paragraph 31 is now added and reads as follows:

"Vulnerable and Marginalized Group Framework" (previously known as the "Indigenous Peoples Planning Framework" or "IPPF") means the instrument entitled Indigenous Peoples Policy Framework, prepared and adopted by the Recipient on December 22, 2006, which provides guidelines and procedures for identification of VMG, and the preparation, adoption and implementation of a plan or plans for the consultation with and informed participation in the Project of Vulnerable and Marginalized Groups affected by the Project"

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

Rajashree Paralkar
Acting Country Director for Kenya
Africa Region

AGREED:
REPUBLIC OF KENYA

By
Authorized Representative

Hon. Robinson Njeru Githae, MP, EGH
Title: Minister for Finance

Date: 26th July, 2012
### APPENDIX

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the credit allocated (expressed in SDR)</th>
<th>Percentage of Expenditures to be Financed</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Civil Works</td>
<td>6,000,000</td>
<td>80%</td>
</tr>
<tr>
<td>2. Goods and Equipment</td>
<td>5,700,000</td>
<td>100% of foreign expenditures, 90% of local expenditures</td>
</tr>
<tr>
<td>3. (a) Grants for Micro-projects</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(i) CDD Micro-projects</td>
<td>7,100,000</td>
<td>100% of the Recipient’s Contribution</td>
</tr>
<tr>
<td>(ii) Community Foundation</td>
<td>200,000</td>
<td>100% of the Recipient’s Contribution</td>
</tr>
<tr>
<td>(iii) Youth Micro-projects</td>
<td>500,000</td>
<td>100% of the Recipient’s Contribution</td>
</tr>
<tr>
<td>(iv) Malaria Micro-projects</td>
<td>1,200,000</td>
<td>100% of the Recipient’s Contribution</td>
</tr>
<tr>
<td>(b) Catchment Management Micro-projects</td>
<td>9,200,000</td>
<td>100% of the Recipient’s Contribution</td>
</tr>
<tr>
<td>4. Consultants’ Services and Audit</td>
<td>7,300,000</td>
<td>100%</td>
</tr>
<tr>
<td>5. Training and Workshops</td>
<td>6,000,000</td>
<td>100%</td>
</tr>
<tr>
<td>6. Incremental Operating Costs:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(a) Vehicle operations maintenance and insurance</td>
<td>1,500,000</td>
<td>90%</td>
</tr>
<tr>
<td>(b) Other operations and maintenance</td>
<td>7,100,000</td>
<td>90% for expenditures incurred before June 30, 2009, 80% for expenditures made before June 30, 2011, 70% for expenditures made before June 30, 2013 and thereafter.</td>
</tr>
<tr>
<td>7. Refund of Project Preparation Advance</td>
<td>330,000</td>
<td></td>
</tr>
<tr>
<td>8. Unallocated</td>
<td>5,670,000</td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL AMOUNT</strong></td>
<td><strong>57,800,000</strong></td>
<td></td>
</tr>
</tbody>
</table>
Cc:  
Mr. Joseph Kinyua  
Permanent Secretary  
Ministry of Finance  
Treasury Building  
Harambee Avenue  
Nairobi  

Mr. Andrew Mondoh  
Permanent Secretary  
Ministry of State for Specia Programmes  
Comcraft House, Haile Selassie Avenue  
Nairobi  

Mr. Jackson Kinyanjui  
Director, External Resources Department  
Ministry of Finance  
Treasury Building  
Harambee Avenue  
Nairobi  

Mr. Moses Kanagi  
Head, World Bank Desk  
External Resources Department  
Ministry of Finance  
Treasury Building  
Harambee Avenue  
Nairobi  

Mr. Evans Asena  
National Project Coordinator  
Ministry of State for Specia Programmes  
Comcraft House  
Haile Selassie Avenue  
Nairobi
August 6, 2012

Mr. Jackson Kinyanjui  
Director  
External Resources Department  
Ministry of Finance  
Treasury Building  
Harambee Avenue  
Nairobi

Dear Mr. Kinyanjui

*Republic of Kenya: Kenya Western Community Driven Development and Flood Mitigation (WKCDD FM Project)*  
**Credit No: 4278 KE**  
**Correction**

Please refer to the Amendment to the Financing Agreement dated July 17, 2012 in connection with the above referenced project. This is to inform you that incorrect Appendix containing information on the disbursement table was attached to the Amendment. We have attached the correct agreed Appendix as indicated in the Restructuring Paper for the same project. Please use this Appendix for all future references in connection with this Amendment.

Sincerely,

Nyambura Githagui  
Task Team Leader
APPENDIX

<table>
<thead>
<tr>
<th>Category</th>
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<th>Percentage of Expenditure to be Financed</th>
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<tbody>
<tr>
<td>1. Civil Works</td>
<td>13,750,000</td>
<td>100%</td>
</tr>
<tr>
<td>2. Goods and Equipment</td>
<td>5,730,000</td>
<td>100%</td>
</tr>
<tr>
<td>3. (a) Grants for Micro projects</td>
<td></td>
<td></td>
</tr>
<tr>
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<td>100%</td>
</tr>
<tr>
<td>(ii) Community Foundation</td>
<td>200,000</td>
<td>100%</td>
</tr>
<tr>
<td>(iii) Youth Micro-projects</td>
<td>500,000</td>
<td>100%</td>
</tr>
<tr>
<td>(iv) Malaria Micro-Projects</td>
<td>1,210,000</td>
<td>100%</td>
</tr>
<tr>
<td>(b) Catchment Management Micro-Projects</td>
<td>4,700,000</td>
<td>100%</td>
</tr>
<tr>
<td>4. Consultants' Services and Audit</td>
<td>7,340,000</td>
<td>100%</td>
</tr>
<tr>
<td>5. Training &amp; Workshops</td>
<td>6,040,000</td>
<td>100%</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>(a) Vehicle operations maintenance and insurance</td>
<td>1,510,000</td>
<td>100%</td>
</tr>
<tr>
<td>(b) Other Operations &amp; Maintenance</td>
<td>9,679,450</td>
<td>100%</td>
</tr>
<tr>
<td>7. Refund of Project Preparation Advance</td>
<td>550</td>
<td></td>
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<tr>
<td>8. Unallocated</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>Total Funds</td>
<td>57,800,000</td>
<td></td>
</tr>
</tbody>
</table>
Mr. Jackson Kinyanjui

August 6, 2012

Cc:       Mr. Joseph Kinyua
          Permanent Secretary
          Ministry of Finance
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