Ms. Carole Kariuki  
Chief Executive Officer  
Kenya Private Sector Alliance  
Shelter Afrique Building, 2nd Floor  
P.O. Box 3556-00100  
Nairobi, Kenya  

Dear Ms. Kariuki:

Re: Republic of Kenya: Support to the Internship Program of the Kenya Private Sector Alliance  
Project: RSR Grant No. TF012919

In response to the request for financial assistance made on behalf of Kenya Private Sector Alliance ("Recipient"), I am pleased to inform you that the International Development Association ("World Bank"), acting as administrator of grant funds provided by the Russian Federation, United Kingdom and Norway ("Donor(s)")) under the Rapid Social Response Multi Donor Trust Fund proposes to extend to the Recipient a grant in an amount not to exceed five hundred and eighty five thousand United States Dollars (U.S.$585,000) ("Grant") on the terms and conditions set forth or referred to in this letter agreement ("Agreement"), which includes the attached Annex, to assist in the financing of the project described in the Annex ("Project").

This Grant is funded out of the above-mentioned trust fund for which the World Bank receives periodic contributions from the Donors. In accordance with Section 3.02 of the Standard Conditions (as defined in the Annex to this Agreement), the World Bank's payment obligations in connection with this Agreement are limited to the amount of funds made available to it by the Donors under the above-mentioned trust fund, and the Recipient's right to withdraw the Grant proceeds is subject to the availability of such funds.

The Recipient represents, by confirming its agreement below, that it is authorized to enter into this Agreement and to carry out the Project in accordance with the terms and conditions set forth or referred to in this Agreement.
Please confirm the Recipient's agreement to the foregoing by having an authorized official of the Recipient sign and date the enclosed copy of this Agreement, and returning it to the World Bank. Upon receipt by the World Bank of this countersigned copy, this Agreement shall become effective as of the date of countersignature.

Sincerely,

INTERNATIONAL DEVELOPMENT ASSOCIATION

[Signature]

Johannes Zutt
Country Director for Kenya
Africa Region

AGREED:
KENYA PRIVATE SECTOR ALLIANCE

By
Authorized Representative

Name: CAROLE KARIUKI
Title: CEO
Date: 5/9/2012

Enclosures:

2. Disbursement Letter of the same date as this Agreement, together with World Bank Disbursement Guidelines for Projects, dated May 1, 2006
Article I
Standard Conditions; Definitions


.02. Definitions. Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the Standard Conditions or in this Agreement.

(a) "KYEP" means the Association financed Kenya Youth Empowerment Project, Credit No 4697 KE.

(b) "KYEP Department" means a department within the Recipient responsible for overseeing of all activities of the Project including the development of the private sector internships, obtaining training services, placement of interns, monitoring and reporting on all said internships.

(c) "KYEP Department Operations Manual" means the manual prepared by the Recipient and approved by the World Bank detailing the roles and responsibilities of the different stakeholders in the implementation of the Project, including criteria for selecting training providers, as well as rules for incentives for private sector enterprises providing attachment opportunities for youth, as the same may be amended and supplemented from time to time with the prior written agreement of the World Bank.

(d) "Kenya Private Sector Alliance" or "KEPSA" means a company limited by guarantee established and operating pursuant to Chapter 486 of the Recipient’s Companies Act, or any legal successor thereto.

(e) "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.

(f) "Training" means the reasonable costs of seminars, workshops and study tours required for the Project, including stipends for 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.
Article II
Project Execution

2.01. **Project Objectives and Description.** The objective of the Project is to improve the integration of at-risk youth into wage and self-employment. The Project consists of the following:

**Part 1: Internships and Training**

(a) Implementing a youth internship program in the formal and informal sector with priority focus on potential growth sub-sectors identified in Vision 2030 through provision of services and technical assistance required for that purpose.

(b) Monitoring and evaluating lessons learnt from the Project for integration into existing and future youth employment programs.

(c) Providing technical assistance and operating costs to support the KYEP Department.

2.02. **Project Execution Generally.** 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: (a) Article II of the Standard Conditions; (b) 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 (“Anti-Corruption Guidelines”); (c) this Article II; and (d) the agreement dated the same date as this Agreement between the World Bank and the Recipient, as such agreement may be amended from time to time (“Project Agreement”).

2.03. **Institutional and Other Arrangements**

(a) The Recipient shall ensure throughout Project implementation the availability of adequate resources and staff with skills and experience to carry out the Project satisfactory to the World Bank.

(b) Except as the World Bank shall otherwise agree in writing, the Recipient will carry out the Project in accordance with the KYEP Department Operations Manual.

2.04. **Donor Visibility**

The Recipient shall take or cause to be taken all such measures as the World Bank may reasonably request to identify publicly the Donor’s support for the Project.

2.05. **Project Monitoring, Reporting and Evaluation**

(a) The Recipient shall monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 2.06 of the Standard Conditions and on the basis of indicators acceptable to the World Bank. Each Project Report shall cover the period of one calendar semester, and shall be
furnished to the World Bank not later than one month after the end of the period covered by such report.

(b) The Recipient shall prepare the Completion Report in accordance with the provisions of Section 2.06 of the Standard Conditions. The Completion Report shall be furnished to the World Bank not later than six months after the Closing Date.

2.06. **Financial Management**

(a) The Recipient shall ensure that a financial management system is maintained in accordance with the provisions of Section 2.07 of the Standard Conditions.

(b) The Recipient shall ensure that interim unaudited financial reports for the Project are prepared and furnished to the World Bank (as part of the Project Report) not later than forty five (45) days after the end of each calendar quarter, covering the quarter, in form and substance satisfactory to the World Bank.

(c) The Recipient shall have its Financial Statements audited in accordance with the provisions of Section 2.07 (b) of the Standard Conditions. Such audit of the Financial Statements shall cover the period of one fiscal year of the Recipient. The audited Financial Statements for such period shall be furnished to the World Bank not later than six months after the end of such period.

2.07. **Procurement**

(a) **General.** All goods, works, non-consulting services and consultants’ services required for the Project and to be financed out of the proceeds of the Grant shall be procured in accordance with the requirements set forth or referred to in:

(i) Section I of the “Guidelines: Procurement of Goods, and Non-consulting Services under IBRD Loans and IDA Credits and Grants by World Bank Borrowers” dated May 2004 and revised in October 2006 and May 2010 (“Procurement Guidelines”), in the case of goods, works and non-consulting services;

(ii) Sections I and IV of the “Guidelines: Selection and Employment of Consultants under IBRD Loans and IDA Credits and Grants by World Bank Borrowers” dated May 2004 and revised in October 2006 and May 2010 (“Consultant Guidelines”) in the case of consultants’ services; and

(iii) the provisions of this Section, as the same shall be elaborated in the procurement plan prepared and updated from time to time by the Recipient for the Project in accordance with paragraph 1.16 of the Procurement Guidelines and paragraph 1.24 of the Consultant Guidelines (“Procurement Plan”).

(b) **Definitions.** The capitalized terms used in the following paragraphs of this Section to describe particular procurement methods or methods of review by the World Bank 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.

2) **Particular Methods of Procurement of Goods, Works and Non-consulting Services**

   (i) Except as otherwise provided in sub-paragraph (ii) below, goods, works and non-consulting services shall be procured under contracts awarded on the basis of International Competitive Bidding.

   (ii) The following methods, other than International Competitive Bidding, may be used for procurement of goods, and non-consulting services for those contracts which are specified in the Procurement Plan:

   | (a) | Limited International Bidding |
   | (b) | National Competitive Bidding, subject to the provisions set forth in paragraph 2 of this Section B |
   | (c) | Shopping*, subject to the provisions of paragraph 3 of this Section B |
   | (d) | Direct Contracting |

The following requirements shall apply to National Competitive Bidding:

(A) The tender submission date shall be set so as to allow a period of at least thirty (30) days from 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 and operate under commercial law and are independent agencies of the Recipient's government.

(C) 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.

(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.

(E) Evaluation of tenders 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 having 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.

(5) Shopping

Shopping procedure will apply for each low value contract¹ in lieu of Direct Procurement.

(6) 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) Selection Based on Consultants' Qualifications</td>
</tr>
<tr>
<td>(d) Least Cost Selection</td>
</tr>
<tr>
<td>(e) Single-Source Selection of consulting firms</td>
</tr>
<tr>
<td>(f) Procedures set forth in paragraphs 5.2 and 5.3 of the Consultant Guidelines for the Selection of Individual Consultants</td>
</tr>
<tr>
<td>(g) Sole Source Procedures for the Selection of Individual Consultants</td>
</tr>
</tbody>
</table>

3. Shortlist including only national consultants. Contracts for which shortlists may consist exclusively of local consultants pursuant to the provisions of Paragraph 2.7 of the

¹. Low value means any value below Kenya Shillings thirty thousand (KES 30,000) in accordance with the Recipient's Public Procurement & Disposal Regulations of 2006.
Consultants Guidelines shall be determined in the Procurement Plan on the basis of their nature and availability of firms.

(f) **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.

**Article III**

**Withdrawal of Grant Proceeds**

3.01. **Eligible Expenditures.** The Recipient may withdraw the proceeds of the Grant in accordance with the provisions of: (a) Article III of the Standard Conditions; (b) this Section; and (c) such additional instructions as the World Bank may 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 World Bank and as made applicable to this Agreement pursuant to such instructions), to finance 100% of Eligible Expenditures consisting of goods, services and Operating Costs inclusive of Taxes.

The table specifies the categories of Eligible Expenditures that may be financed out of the proceeds of the Grant (“Category”), the allocations of the amounts of the Grant 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 Grant Allocated expressed in USD</th>
<th>Percentage of Expenditures to be Financed inclusive of Taxes</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Consultants Services, Training and Operating Costs</td>
<td>585,000.00</td>
<td>100%</td>
</tr>
<tr>
<td><strong>TOTAL AMOUNT</strong></td>
<td><strong>585,000.00</strong></td>
<td></td>
</tr>
</tbody>
</table>

3.02. **Withdrawal Conditions.** Notwithstanding the provisions of Section 3.01 of this Agreement, no withdrawal shall be made for payments made prior to the date of countersignature of this Agreement by the Recipient.

3.03. **Withdrawal Period.** The Closing Date referred to in Section 3.06 (c) of the Standard Conditions is December 31, 2012.
Article IV
Recipient's Representative; Addresses

4.01. *Recipient's Representative.* The Recipient's Representative referred to in Section 7.02 of the Standard Conditions is its Chairman.

4.02. *Recipient's Address.* The Recipient's Address referred to in Section 7.01 of the Standard Conditions is:

Kenya Private Sector Alliance
Shelter Afrique Building, 2nd Floor
P.O. Box 3556, 00100
Nairobi, Kenya

Facsimile:
254 20 2730374

4.03. *World Bank's Address.* The World Bank's Address referred to in Section 7.01 of the Standard Conditions is:

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

Cable: INDEVAS
Telex: 248423 (MCI) or 1-202-477-6391
Facsimile: 64145 (MCI)