Hon. Henry Rotich  
Cabinet Secretary  
National Treasury  
Treasury Building  
Nairobi, Kenya  

Ref: Republic of Kenya: Nairobi Sanitation OBA Project  
GPOBA Grant No. TF014251  

Amendment to the Grant Agreement

Honorable Rotich:

We refer to the Grant Agreement dated December 19, 2013 (the “Agreement”) between the Republic of Kenya (“Recipient”) and the International Development Association (“World Bank”) acting as Administrator of the Global Partnership on Output-based Aid (“GPOBA”).

We also refer to the Recipient’s letter dated September 7, 2016, requesting some amendments to the Agreement. We are pleased to inform you that the World Bank concurs to your request; we hereby propose to amend the Agreement as follows:

1. Section IV of Schedule 2 is deleted and replaced with the following:

“Section IV. Withdrawal of Grant Proceeds

A. General

1. 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 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 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>Up to the date of this Amendment Letter</td>
<td>(1) First Phase Subsidy under Part 1 of the Project 74,210</td>
<td>100%</td>
</tr>
<tr>
<td></td>
<td>(2) Second Phase Subsidy under Part 1 of the Project 0</td>
<td>100%</td>
</tr>
<tr>
<td></td>
<td>(3) Consultants' services under Part 2 of the Project 250,000</td>
<td>100%</td>
</tr>
<tr>
<td>As of the date of this Amendment Letter</td>
<td>(4) Revised Subsidy 4,005,790</td>
<td>100%</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td></td>
<td>4,330,000</td>
</tr>
</tbody>
</table>

For the purposes of this Section, the term:

(a) "First Phase Subsidy" means subsidies covered by this Agreement which account for 50% of expenditures incurred by the Recipient to finance a total of up to 70% of sewerage connection costs and up to 40% of water connection costs of a Beneficiary Household, payable upon the World Bank's written notification to the Recipient that it has accepted as satisfactory an Output Verification Report confirming that such water and sewerage connection is working and is accounted for; which First Phase Subsidy is hereby deemed an Eligible Expenditure for purposes of Section 3.06 of the Standard Conditions;

(b) "Second Phase Subsidy" means subsidies covered by this Agreement which account for 50% of expenditures incurred by the Recipient to finance a total of up to 70% of sewerage connection costs and up to 40% of water connection costs of a Beneficiary Household, payable upon the World Bank's written notification to the Recipient that it has accepted as satisfactory an Output Verification Report confirming use of sustained service for at least six months according to billing records, which Second Phase Subsidy is hereby deemed an Eligible Expenditure for purposes of Section 3.06 of the Standard Conditions; and

(c) "Revised Subsidy" means subsidies covered by this Agreement which account for: (i) 10% of the total revised subsidy amount as an advance towards water and sewerage connection costs of Beneficiary Households; (ii) 65% of expenditures incurred by the Recipient to finance a total of up to 70% of sewerage connection costs and up to 40% of water connection costs of a Beneficiary Household payable upon the World Bank's written notification to the Recipient that it has accepted as satisfactory an Output Verification Report confirming that such water and sewerage connection is working and
(iii) 25% of expenditures incurred by the Recipient to finance a total of up to 70% of sewerage connection costs and up to 40% of water connection costs of a Beneficiary Household, payable upon the World Bank's written notification to the Recipient that it has accepted as satisfactory an Output Verification Report confirming use of sustained service for at least three months according to billing records, which Revised Subsidy is hereby deemed an Eligible Expenditure for purposes of Section 3.06 of the Standard Conditions.

2. Definition number 17 of the Appendix is amended to read as follows:

"17. "Subsidy" means either the First Phase Subsidy, the Second Phase Subsidy, or the Revised Subsidy."

Please note that the capitalized terms used in this letter ("Amendment Letter") and not defined herein have the meaning ascribed to them in the Agreement.

All provisions of the Agreement which are not expressly modified in accordance with this Amendment Letter remain unchanged.

Please indicate your agreement with the foregoing, by countersigning and dating the two original copies of this Amendment Letter and returning one countersigned original copy to the World Bank. Upon receipt by the World Bank of said original countersigned by the authorized representative of the Recipient and dated, this amendment shall become effective as of the date of countersignature of this letter.

Very truly yours,
INTERNATIONAL DEVELOPMENT ASSOCIATION

Diarietou Gaye
Country Director for Kenya
Africa Region

AGREED:

REPUBLIC OF KENYA

By ____________________________
Authorized Representative
Name: Henry Rotich
Title: Cabinet Secretary
Date: 1/11/2016