Hon. Ukur Yatani  
Cabinet Secretary  
National Treasury and Planning  
Treasury Building  
Harambee Avenue  
P.O. Box 30007-00100  
Nairobi – Kenya

Re: Republic of Kenya: Advance Agreement for Preparation of Proposed Kenya  
Financing Locally-Led Climate Action Program  
Program Preparation Advance No. IDA V319-KE

Honorable Yatani:

In response to the request for financial assistance made on behalf of the Republic of Kenya (the “Recipient”), I am pleased to inform you that the International Development Association (IDA) (the “World Bank”) proposes to extend to the Recipient an advance out of the World Bank’s Project Preparation Facility an amount not to exceed United States Dollars three million one hundred eighty one thousand five hundred (US$ 3,181,500) (the “Advance”) on the terms and conditions set forth or referred to in this letter agreement (the “Agreement”), which includes the attached Annex, to assist in financing the activities described in the Annex (the “Activities”). The objective of the Activities is to facilitate the preparation of a proposed program designed to strengthen county governments’ capacity to plan, implement and monitor resilience investments in partnership with communities (the “Program”), in support of which the Recipient has requested the World Bank’s financial assistance.

The Recipient represents, by confirming its agreement below, that: (a) it understands that the provision of the Advance does not constitute or imply any commitment on the part of IDA to provide financing in support of the Program; and (b) it is authorized to enter into this Agreement and to carry out the Activities, repay the Advance and perform its other obligations under this Agreement, all in accordance with the provisions of 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effective as of the date of the countersignature; provided, however, that the offer of this Agreement shall be deemed withdrawn if the World Bank has not received this countersigned
copy within thirty (30) days after the date of signature of this Agreement by the World Bank, unless the World Bank has established a later date for such purpose.

Very truly yours,
INTERNATIONAL DEVELOPMENT ASSOCIATION

By
C. Felipe Jarminillo
Country Director
Kenya, Rwanda, Somalia and Uganda
Africa Region

AGREED:
REPUBLIC OF KENYA

By
Authorized Representative

Name: UKUR YATANI
Title: CABINET SECRETARY / NATIONAL TREASURY
Date: 26th MARCH, 2020

Enclosures:

(1) "Standard Conditions for Advances Made by the World Bank under its Project Preparation Facility", dated July 31, 2010; and

(2) Disbursement Letter for the Advance of the same date as this Agreement, together with "Disbursement Guidelines for Investment Project Financing", dated February 2017.
ANNEX

Article I
Standard Conditions; Definitions

1.01. **Standard Conditions.** The “Standard Conditions for Advances Made by the World Bank under its Project Preparation Facility”, dated July 31, 2010 (the “Standard Conditions”), constitute an integral part of this Agreement.

1.02. **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, including the Appendix to this Agreement.

Article II
Execution of the Activities

2.01. **Description of the Activities.** The Activities for which the Advance is provided consist of the following parts:

(a) consultations with stakeholders including the Council of Governors, county governors, executive committee members, county assemblies and such other relevant national level stakeholders;

(b) training of county officials and staff to build capacity in the climate finance landscape, performance measures for the Program and to facilitate achievement of the Program’s minimum conditions;

(c) preparation of the Program operations manual;

(d) assessment of (i) counties existing legislative frameworks, capacities and institutions related to climate change and (ii) the availability of systems-coding, tracking and Monitoring, Reporting and Verification (MRV) systems of climate investments;

(e) set up of coordination structures at national and county level and strengthening of county treasuries to finance climate actions;

(f) capacity building of counties to (i) manage safeguards, (ii) set-up participatory structures, (iii) develop climate relevant policies, systems and laws including disaster risk management policies, climate finance systems and water and solid waste management systems;

(g) assessment of county readiness actions and support for the establishment of county-based climate change funds and institutional systems and structures;

(h) support local communities in the establishment of locally led institutional structures for locally led climate actions and information acquisition and dissemination; and
(i) operational support to the Program Implementation Unit, the National Treasury and Planning climate finance unit, Council of Governors, climate change directorate, Ministry of Labour and Social Protection, and county Program implementation teams.

2.02. **Execution of the Activities Generally.** The Recipient declares its commitment to the objectives of the Activities. To this end, the Recipient shall carry out the Activities through the National Treasury and Planning in accordance with the provisions of: (a) Article II of the Standard Conditions; (b) this Article II; and (c) 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 and as of July 1, 2016.

2.03. **Institutional and Other Arrangements.** Without limitation upon paragraph 2.02 above, the Recipient shall maintain throughout to the Refinancing Date the Program Implementation Unit within the Climate Finance Unit, with staffing (including a coordinator for the Advance) in number and with qualification and experience acceptable to the World Bank, to be responsible for the day-to-day management of the Activities, including financial management and procurement.

2.04 **Environmental and Social Standards.**

(a) The Recipient shall ensure that the Activities are carried out in accordance with the Environmental and Social Standards, in a manner acceptable to the World Bank.

(b) Without limitation upon paragraph (a) above, the Recipient shall ensure that the Activities are implemented in accordance with the Environmental and Social Commitment Plan (“ESCP”), in a manner acceptable to the World Bank. To this end, the Recipient shall ensure that:

(i) the measures and actions specified in the ESCP are implemented with due diligence and efficiency, as provided in the ESCP;

(ii) sufficient funds are available to cover the costs of implementing the ESCP;

(iii) policies and procedures are maintained and qualified experienced staff in adequate numbers are retained to implement the ESCP, as provided in the ESCP; and

(iv) the ESCP or any provision thereof, is not amended, repealed, suspended or waived, except as the World Bank shall otherwise agree in writing as specified in the ESCP, and ensure that the revised ESCP is disclosed promptly thereafter.

(c) In case of any inconsistencies between the ESCP and the provisions of this Agreement, the provisions of this Agreement shall prevail.

(d) The Recipient shall ensure that:

(i) all measures necessary are taken to collect, compile, and furnish to the World Bank through regular reports, with the frequency specified in the ESCP, and promptly in a separate report or reports, if so requested by the World Bank, information on the status of compliance with the ESCP, all such reports in form and substance
acceptable to the World Bank, setting out, inter alia: (A) the status of implementation of the ESCP; (B) conditions, if any, which interfere or threaten to interfere with the implementation of the ESCP; and (C) corrective and preventive measures taken or required to be taken to address such conditions; and

(ii) the World Bank is promptly notified of any incident or accident related to or having an impact on the Program which has, or is likely to have, a significant adverse effect on the environment, the affected communities, the public or workers, in accordance with the ESCP, the instruments referenced therein and the Environmental and Social Standards.

(e) The Recipient shall establish, publicise, maintain and operate an accessible grievance mechanism, to receive and facilitate resolution of concerns and grievances of Program-affected people and such complaints raised in relation to the Activities, and take all measures necessary and appropriate to resolve, or facilitate the resolution of, such concerns and grievances, in a manner acceptable to the World Bank.

2.05. **Monitoring, Reporting and Evaluation of the Activities.** The Recipient shall monitor and evaluate the progress of the Activities in accordance with the provisions of Section 2.08 of the Standard Conditions.

2.06. **Financial Management.** (a) The Recipient shall ensure that a financial management system is maintained in accordance with the provisions of Section 2.09 of the Standard Conditions.

(b) The Recipient shall ensure that interim un-audited financial reports for the Activities are prepared and furnished to the World Bank 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 Sections 2.09 (b) of the Standard 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 under the Advance was made. 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**

All goods, non-consulting services and consulting services required for the Activities and to be financed out of the proceeds of the Advance shall be procured in accordance with the requirements set forth or referred to in the “World Bank Procurement Regulations for IPF Borrowers” dated July 2016, revised November 2017 and August 2018 (the “Procurement Regulations”) and the provisions of the Recipient’s procurement plan for the Activities dated February 28, 2020 (the “Procurement Plan”) provided for under Section IV of the Procurement Regulations, as the same may be updated from time to time in agreement with the World Bank.
Article III
Withdrawal of the Advance

3.01. Eligible Expenditures. The Recipient may withdraw the proceeds of the Advance 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 “Disbursement Guidelines for Investment Project Financing” dated February 2017, 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, non-consulting services, consulting services, Operating Costs and Training inclusive of Taxes.

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. Refinancing Date. The Refinancing Date is February 28, 2021.

Article IV
Terms of the Advance

4.01. Interest. The Recipient shall pay interest on the Withdrawn Advance Balance at a rate, for each Interest Period, equal to the Reference Rate plus the Fixed Spread; provided, however, that the interest payable shall in no event be less than zero percent (0%) per annum. Interest shall accrue from the respective dates on which amounts of the Advance are withdrawn and shall be paid in arrears in accordance with the provisions of Section 4.02 of this Agreement. The Interest Period Determination Dates are January 1 and July 1 in each year.

4.02. Repayment. The Withdrawn Advance Balance shall be repaid by the Recipient to the World Bank (together with interest accrued thereon) in accordance with the provisions of Article IV of the Standard Conditions and the following provisions:

(a) Refinancing under the Refinancing Agreement: If, on or before the Refinancing Date, a Refinancing Agreement has been executed by all of its parties, then the full amount of the Withdrawn Advance Balance shall be repaid to the World Bank (together with interest accrued on the Advance to the date of repayment) as soon as the Refinancing Agreement becomes effective, by means of a withdrawal by the World Bank of an amount of the Refinancing Proceeds equivalent to the Withdrawn Advance Balance plus such interest, in accordance with the provisions of the Refinancing Agreement.

(b) Repayment in the absence of a Refinancing Agreement: If, on or before the Refinancing Date, no Refinancing Agreement has been executed by all of its parties, or if, by such date, it has been so executed but terminates without becoming effective, then:

(i) if the amount of the Withdrawn Advance Balance does not exceed $50,000, it shall be repaid by the Recipient to the World Bank (together with interest accrued on the Withdrawn Advance Balance to the date of repayment) on such date as the World Bank shall specify in a notice to the Recipient, which shall in no event be earlier than 60 days following the date of dispatch of such notice; and
if the amount of the Withdrawn Advance Balance exceeds $50,000, it (together with interest accrued on the Withdrawn Advance Balance to the Notice Date) (the "Aggregate Balance") shall be paid by the Recipient to the World Bank in ten approximately equal semiannual installments, in the amounts and on the dates ("Payment Dates") which the World Bank shall specify in a notice to the Recipient. In no event shall the first Payment Date be set earlier than 60 days following the date ("Notice Date") of dispatch of such notice. The Recipient shall pay interest on the Aggregate Balance at a rate, for each Interest Period, equal to the Reference Rate plus the Fixed Spread, payable in arrears on each Payment Date. Notwithstanding the foregoing, if any amount of the Aggregate Balance remains unpaid when due and such non-payment continues for a period of thirty days, then the Recipient shall pay the Default Interest Rate on such overdue amount in lieu of the interest rate specified above in this subparagraph (ii) until such overdue amount is fully paid. Interest at the Default Interest Rate shall accrue from the first day of each Default Interest Period and shall be payable semi-annually in arrears on each Payment Date.

Article V
Recipient's Representative; Addresses

5.01. Recipient's Representative. The Recipient’s Representative referred to in Section 9.02 of the Standard Conditions is the Cabinet Secretary responsible for finance.

5.02. Recipient’s Address. The Recipient’s Address referred to in Section 9.01 of the Standard Conditions is:

- National Treasury and Planning
- Treasury Building
- Harambee Avenue
- P.O. Box 30007-00100
- Nairobi - Kenya

5.03. World Bank’s Address. The World Bank’s Address referred to in Section 9.01 of the Standard Conditions is:

- International Development Association/International Bank for Reconstruction and Development
- 1818 H Street, N.W.
- Washington, D.C. 20433
- United States of America

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

Section I. Definitions

1. “Council of Governors” means the council of county governors established under the Intergovernmental Relations Act, 2012 of the Recipient as such law may be otherwise amended or replaced.

2. “Environmental and Social Commitment Plan” or the acronym “ESCP” means the Recipient’s environmental and social commitment plan, acceptable to the World Bank, dated February 28, 2020, which sets out a summary of the material measures and actions to address the potential environmental and social risks and impacts of the Activities, including the timing of the actions and measures, institutional, staffing, training, monitoring and reporting arrangements, and any instruments to be prepared thereunder; as the ESCP may be revised from time to time, with prior written agreement of the World Bank, and such term includes any annexes or schedules to such plan.


4. “Operating Costs” means the incremental operating expenses incurred on account of the implementation of the Activities, management and monitoring including on account of operation and maintenance costs of office and office equipment; office supplies, additional staff costs, travel and supervision costs, per diem, but excluding the salaries, honoraria and indemnities of officials and public servants of the Recipient’s civil service.

5. Training” means the reasonable costs associated with training and workshops (other than for consultants’ services), including: (i) travel, room, board and per diem expenditures incurred by trainers and trainees in connection with their training; (ii) course fees; (iii) training facility rentals; and (iv) training material preparation, acquisition, reproduction and distribution expenses.