Project Agreement

(Electricity Modernization Project)

between

INTERNATIONAL DEVELOPMENT ASSOCIATION

and

KENYA POWER AND LIGHTING COMPANY LIMITED

Dated 29 June, 2015
CREDIT NUMBER 5587-KE

PROJECT AGREEMENT

AGREEMENT dated 29 JUNE, 2015, entered into between INTERNATIONAL DEVELOPMENT ASSOCIATION ("Association") and KENYA POWER AND LIGHTING COMPANY LIMITED ("Project Implementing Entity") ("Project Agreement") in connection with the Financing Agreement ("Financing Agreement") of same date between the REPUBLIC OF KENYA ("Recipient") and the Association. The Association and the Project Implementing Entity hereby agree as follows:

ARTICLE I — GENERAL CONDITIONS; DEFINITIONS

1.01. The General Conditions (as defined in the Appendix to the Financing 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 Financing Agreement or the General Conditions.

ARTICLE II — PROJECT

2.01. The Project Implementing Entity declares its commitment to the objectives of the Project. To this end, the Project Implementing Entity shall carry out Parts A, B, C.1, and D.1(d) of the Project in accordance with the provisions of Article IV of the General Conditions, and shall provide promptly as needed, the funds, facilities, services and other resources required for Parts A, B, C.1, and D.1(d) of the Project.

2.02. Without limitation upon the provisions of Section 2.01 of this Agreement, and except as the Association and the Project Implementing Entity shall otherwise agree, the Project Implementing Entity shall carry out Parts A, B, C.1, and D.1(d) of the Project in accordance with the provisions of the Schedule to this Agreement.

ARTICLE III — TERMINATION

3.01. For purposes of Section 8.05(c) of the General Conditions, the date on which the provisions of this Agreement shall terminate is twenty years after the date of this Agreement.
ARTICLE IV — REPRESENTATIVE; ADDRESSES

4.01. The Project Implementing Entity's Representative is the Managing Director and Chief Executive Officer.

4.02. The Association’s Address is:

International Development Association
1818 H Street, NW
Washington, DC 20433
United States of America

Cable: Telex: Facsimile:
INDEVAS 248423(MCI) 1-202-477-6391
Washington, D.C.

4.03. The Project Implementing Entity’s Address is:

Stima Plaza
Kolobot Road Parklands
P. O. Box 30099-00100
Nairobi
Kenya

Facsimile:
254-020-311146
AGREED at NAIROBI, KENYA, as of the day and year first above written.

INTERNATIONAL DEVELOPMENT ASSOCIATION

By

Authorized Representative

Name: DARIETY GATEN

Title: COUNTRY DIRECTOR

KENYA POWER AND LIGHTING COMPANY LIMITED

By

Authorized Representative

Name: DR. BEN CHUANGI

Title: MD & CEO
SCHEDULE

Execution of Parts A, B, C.1 and D.1(d) of the Project

Section I. Implementation Arrangements

A. Institutional Arrangements

1. The Project Implementing Entity shall establish by no later than two months after the Effective Date and maintain thereafter until the completion of Parts A, B, C.1, and D.1(d) of the Project:

   (a) a PIU to be responsible for the implementation of Parts A, B and D.1(d) of the Project, which shall comprise a chief engineer, design engineers, installation engineers, wayleaves officers, a metering specialist, a telecommunication specialist, a Supervisory Control and Data Acquisition/Energy Management System/communication specialist, a procurement specialist, an accountant, an environmental specialist, and any other specialists as may be required for the effective implementation of Parts A, B, and D.1(d) of the Project, in each case with terms of reference, qualifications and experience satisfactory to the Association; and

   (b) a PIU to be responsible for the implementation of Part C.1 of the Project, which shall include a chief engineer, a senior engineer, six engineers for design and field supervision, a supervisions coordinator, a procurement specialist, an accounts specialist, an environmental specialist, a social specialist and a monitoring and evaluation specialist, and any other specialist, as may be required for the effective implementation of Part C.1 of the Project in each case with terms of reference, qualifications and experience satisfactory to the Association; provided that the monitoring and evaluation specialist shall also provide services to the PIU referred to in (a) above.

2. The Project Implementing Entity shall vest each of the PIUs referred to in paragraph 1 above to be responsible for facilitating the implementation of their respective parts of the Project, including undertaking all design, procurement, contract management, financial management of Project funds, preparation of progress reports, updating of Project costs, preparation of procurement and financing plans.

3. The Project Implementing Entity shall carry out the activities under Parts A, B, C.1, and D.1(d) of the Project, in accordance with the KPLC Implementation Manual.
B. Anti-Corruption

1. The Project Implementing Entity shall ensure that Parts A, B, C.1, and D.1(d) of the Project are carried out in accordance with the provisions of the Anti-Corruption Guidelines.

C. Environmental and Social Safeguards

1. The Project Implementing Entity shall carry out Parts A, B, C.1, and D.1(d) of the Project in accordance with Safeguard Frameworks and the Safeguard Instruments. To that end, if any activity would, pursuant to the relevant Safeguard Framework, require the preparation of a Safeguard Instrument, the Project Implementing Entity 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 Project Implementing Entity shall not amend or waive any provision of the Safeguard Instruments.

2. The Project Implementing Entity shall in its progress reports to the MOEP include progress made in compliance with environmental and social safeguard measures under Parts A, B, C.1, and D.1(d) of the Project, giving details of measures taken in furtherance of the environmental and social safeguard and any conditions which interfere or threaten to interfere with the smooth implementation of the said plans and frameworks, and remedial measures taken or required to be taken to address such conditions.

3. The Project Implementing Entity shall ensure that all advisory, analytical, planning, institutional capacity building, strategizing and such other services carried out under Parts A, B, C.1, and D.1(d) of 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.

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports

1. The Project Implementing Entity shall monitor and evaluate the progress of Parts A, B, C.1, and D.1(d) of the Project and prepare Project Reports for Parts A, B, C.1, and D.1(d) of the Project in accordance with the provisions of Section 4.08.
of the General Conditions and on the basis of the indicators acceptable to the Association. Each such Project Report shall cover the period of one calendar semester, and shall be furnished to the Recipient not later two weeks after the end of the period covered by such report for incorporation and forwarding by the Recipient to the Association of the overall Project Report.

2. The Project Implementing Entity shall provide to the Recipient not later than four months after the Closing Date, for incorporation in the report referred to in Section 4.08(c) of the General Conditions all such information as the Recipient or the Association shall reasonably request for the purposes of such Section.

B. Financial Management, Financial Reports and Audits

1. The Project Implementing Entity shall maintain a financial management system and prepare financial statements in accordance with consistently applied accounting standards acceptable to the Association, both in a manner adequate to reflect the operations and financial condition of the Project Implementing Entity, including the operations, resources and expenditures related to Parts A, B, C.1, and D.1(d) of the Project.

2. The Project Implementing Entity shall have its financial statements referred to above audited by independent auditors acceptable to the Association, in accordance with consistently applied auditing standards acceptable to the Association. Each audit of these financial statements shall cover the period of one fiscal year of the Project Implementing Entity. The Project Implementing Entity shall ensure that the audited financial statements for each period shall be: (a) furnished to the Recipient and the Association not later than six months after the end of the period; and (b) made publicly available in a timely fashion and in a manner acceptable to the Association.

Section III. Procurement

All goods, works and services required for Parts A, B, C.1, and D.1(d) of the Project and to be financed out of the proceeds of the Financing shall be procured in accordance with the provisions of Section III of Schedule 2 to the Financing Agreement.

Section IV. Other

1. The Project Implementing Entity shall, no later than six months after the Effective Date, adopt, in form and substance acceptable to the Association, a financial strategy to strengthen its balance sheet and manage its capital investment program in a sustainable manner.
2. Except as the Association shall otherwise agree, the Project Implementing Entity shall, for each of its fiscal years starting in fiscal year 2016 and in each succeeding fiscal year, maintain a ratio of current assets to current liabilities of not less than 1.0.

(a) For the purposes of this Section, the term “current assets” means cash, all assets which could in the ordinary course of business be converted into cash within twelve months, including accounts receivable, marketable securities, inventories and prepaid expenses properly chargeable to operating expenses within the next fiscal year.