Financing Agreement
(National Agricultural and Rural Inclusive Growth Project)

between

REPUBLIC OF KENYA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated 14TH OCTOBER, 2016
AGREEMENT dated __________, 2016, entered into between the REPUBLIC OF KENYA ("Recipient") and the INTERNATIONAL DEVELOPMENT ASSOCIATION ("Association"). The Recipient and the Association hereby agree as follows:

ARTICLE I — GENERAL CONDITIONS; DEFINITIONS

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

ARTICLE II — FINANCING

2.01. The Association agrees to extend to the Recipient, on the terms and conditions set forth or referred to in this Agreement, a credit in an amount equivalent to one hundred forty-two million six hundred thousand Special Drawing Rights (SDR 142,600,000) (variously, "Credit" and "Financing"), to assist in financing the project described in Schedule 1 to this Agreement ("Project").

2.02. The Recipient may withdraw the proceeds of the Financing in accordance with Section IV of Schedule 2 to this Agreement.

2.03. The Maximum Commitment Charge Rate payable by the Recipient on the Unwithdrawn Financing Balance shall be one-half of one percent (1/2 of 1%) per annum.

2.04. The Service Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to three-fourths of one percent (3/4 of 1%) per annum.

2.05. The Payment Dates are May 15 and November 15 in each year.

2.06. The principal amount of the Credit shall be repaid in accordance with the repayment schedule set forth in Schedule 3 to this Agreement.

2.07. The Payment Currency is Dollar.
ARTICLE III — PROJECT

3.01. The Recipient declares its commitment to the objective of the Project. To this end, the Recipient shall carry out the Project in accordance with the provisions of Article IV of the General Conditions.

3.02. Without limitation upon the provisions of Section 3.01 of this Agreement, and except as the Recipient and the Association shall otherwise agree, the Recipient shall ensure that the Project is carried out in accordance with the provisions of Schedule 2 to this Agreement.

ARTICLE IV — EFFECTIVENESS; TERMINATION

4.01. The Additional Condition of Effectiveness consists of the following, namely that the Recipient has adopted the Project Implementation Manual, in form and substance satisfactory to the Association.

4.02. The Effectiveness Deadline is the date ninety (90) days after the date of this Agreement.

4.03. For purposes of Section 8.05(b) of the General Conditions, the date on which the obligations of the Recipient under this Agreement (other than those providing for payment obligations) shall terminate is twenty (20) years after the date of this Agreement.

ARTICLE V — REPRESENTATIVE; ADDRESSES

5.01. The Recipient’s Representative is its Cabinet Secretary at the time responsible for Finance.

5.02. The Recipient’s Address is:

The National Treasury
Treasury Building
P.O Box 30007-00100
Nairobi, Kenya

Facsimile:
254 20 330426; 254 20 218475

5.03. The Association’s Address is:

International Development Association
1818 H Street, N.W.
Washington, D.C. 20433
United States of America
Telex: Facsimile:
248423 (MCI) 1-202-477-6391
AGREED at Washington D.C., U.S.A., as of the day and year first above written.

REPUBLIC OF KENYA

By

Authorized Representative

Name: HENRY ROTICH
Title: CABINET SECRETARY

INTERNATIONAL DEVELOPMENT ASSOCIATION

By

Authorized Representative

Name: THOMAS SEAN O'BRIEN
Title: ACTING COUNTRY DIRECTOR
SCHEDULE 1

Project Description

The objectives of the Project are to increase agricultural productivity and profitability of targeted rural communities in selected Counties, and in the event of an Eligible Crisis or Emergency, to provide immediate and effective response.

The Project consists of the following parts:

PART A: SUPPORTING COMMUNITY-DRIVEN DEVELOPMENT

1. Strengthening Community Level Institutions

Financing of activities aimed at building the capacity of local communities to plan, implement, manage and monitor agricultural and alternative livelihoods development interventions using community-level institutions, such as community-driven development committees, common interest groups, and vulnerable and marginalized groups, including, *inter alia*, activities pertaining to: (i) facilitation of community institutions, including community mobilization, awareness creation of participatory integrated community development process; (ii) development of and training on standardized training modules for participatory integrated community development process, value chains development, fiduciary and environmental and social safeguards; (iii) payments to the competitively selected service provider consortia; and (iv) facilitation of county technical departments to provide oversight and quality assurance.

2. Supporting Community Investments

Financing a series of community Sub-projects that increase agricultural productivity, improve livelihoods and reduce vulnerability, through provision of matching grants to CIGs and VMGs under four windows: (i) sustainable land and water management and value chains; (ii) market-oriented alternative livelihood interventions; (iii) targeted support to VMGs; and (iv) nutrition mainstreaming through consumption, income, and women empowerment.

PART B: STRENGTHENING PRODUCER ORGANIZATIONS AND VALUE-CHAIN DEVELOPMENT

1. Capacity-Building of Producer Organizations

Financing activities aimed at building the capacity of business-oriented producer organizations, to negotiate for improved access to farming inputs, technologies and agricultural services, and expand markets for their produce, including through training and technical assistance, and financing for enterprise development tailored to their needs.
2. Value Chain Development

Financing, through Sub-project grants, activities aimed at identifying and upgrading competitive value chains for integration and economic empowerment of targeted smallholder farmers, through the provision of technical, business and financial advisory services and matching grants to producers’ organizations to facilitate: (i) selection, mapping and organization of competitive nutrition-sensitive value chains for smallholder development; and (ii) value chains upgrading targeted at addressing key investment gaps, including: strengthening of inputs supply system; development of farm mechanization technologies for climate smart-agricultural practices; value addition and processing; and post-harvest management technologies and facilities.

PART C: SUPPORTING COUNTY COMMUNITY-LED DEVELOPMENT

1. Capacity Building of Counties

Financing activities aimed at building the capacity of Counties in the area of community-led development of agricultural and alternative livelihoods to enable them to support activities in Parts A and B of the Project, including, inter alia, activities related to: (i) stakeholder engagement through sensitization and awareness creation to become familiar with Project objectives and philosophy; (ii) the preparation of a capacity needs assessment and capacity-building plan for each participating County in the area of community-led development of agricultural and alternative livelihoods; and (iii) training and technical assistance, and provision of necessary facilitation tools and basic equipment.

2. County Investment and Employment Programs

Financing, through Sub-project grants, activities in key agricultural and rural development infrastructure, and natural resource management investments that span across multiple targeted communities, and employment programs, particularly to VMGs and unemployed/out-of-school youth.

PART D: PROJECT COORDINATION AND MANAGEMENT

1. Project Coordination

(i) Financing of technical advisory services, equipment and logistics costs incurred by the NPCU, including contractual staff salaries, and operation and maintenance costs.

(ii) Financing of technical advisory services, equipment and logistics costs incurred by the county level CPCUs, including contractual staff salaries, and operation and maintenance costs.
2. *Monitoring & Evaluation and Information Communication Technology*

Financing of activities related to routine M&E functions, impact evaluation, establishment of a Management information system/information communication technology-based agricultural information platforms for sharing technical, market and agro-weather information, complaint and grievance handling and facilitation of networking across all components of the Project.

3. *Contingency Emergency Response*

Financing of recovery activities through a contingency fund to be used in the event of a natural disaster affecting the agricultural sector.
SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements

1. At the national level, for the purpose of:

   (a) overall oversight and policy guidance to the Project, the Recipient shall establish, by no later than October 31, 2016, a National Project Steering Committee ("NPSC"), to be co-chaired by the Cabinet Secretary of the Recipient’s Ministry of Devolution and Planning (the “Implementing Agency”) and the chair of the Recipient’s Council of Governors, and comprising Permanent Secretaries from the relevant line ministries, and representatives of the private sector and civil society;

   (b) day-to-day project implementation of Part D(i) of the Project, the Recipient shall, by no later than October 31, 2016, establish, and maintain thereafter, a National Project Coordinating Unit ("NPCU"), comprising at the minimum a national Project coordinator, Project accountant, procurement officer, monitoring and evaluation officer, internal auditor, human resource and administration officer, education and communication officer/public relation officer, contracts officer, information communication technology officer, environmental and social safeguards compliance officer, and three (3) component coordinators; and

   (c) assisting the NPCU on technical matters, the Recipient shall, by no later than October 31, 2016, establish a National Technical Advisory Committee ("NTAC"), to be co-chaired by the Principal Secretary of the State Department of Planning and Statistics within the Recipient’s Ministry of Devolution and Planning and the chair of the Council of Governors’ Agriculture or Finance Committee, and comprising directors of relevant line ministry departments, directors general of the relevant government agencies, chief executive officer of the Inter-Governmental Relations Technical Committee, and representatives of the private sector.

2. (a) At the County level, the Recipient shall establish and maintain in each Eligible County a County Project Steering Committee ("CPSC"), by no later than one month after the signing of the Participation Agreement with said Eligible County, chaired by the County Secretary, comprising chief officers of the relevant county ministries, a County director of environment from the National Environment Management Authority ("NEMA"), and representatives from the private sector, civil society and
VMGs, and the County commissioner if needed, to provide, with the assistance of the CPCU, implementation oversight in the respective Counties, including approving project annual work plans and budgets and community-led Sub-project proposals and ensure their incorporation in the integrated community development processes.

(b) At the County level, the Recipient shall establish and maintain in each Eligible County a County Project Coordination Unit ("CPCU") responsible for day-to-day implementation of Parts A, B, C and D(ii) of the Project, by no later than one month after the signing of the Participation Agreement with said Eligible County.

3. At the community level, the Recipient shall ensure that the community driven development committees, comprising elected leaders, shall represent Beneficiaries in the targeted communities and shall be responsible for: (a) mobilizing communities into CIGs, through the integrated community development processes; and (b) facilitating the preparation of priority Community development plans and community Sub-projects, as well as their implementation and community participatory monitoring and reporting.

4. (a) The Recipient shall ensure that the overall Project is implemented in accordance with the PIM; provided, however, that in case of any conflict between the provisions of the PIM and the provisions of this Agreement, the provisions of this Agreement shall prevail.

(b) Except as the Association shall otherwise agree, the Recipient shall not amend, abrogate or waive any provision of the PIM.

B. Anti-Corruption

The Recipient shall ensure that the Project is carried out in accordance with the provisions of the Anti-Corruption Guidelines.

C. Participation Agreements

1. Without limitation on the generality of Part A of this Section I, the Recipient shall enter into a participation agreement with each Eligible CG, detailing mutual responsibilities for the implementation of the Program and detailing other terms and conditions as may be approved by the Association ("Participation Agreement"), such terms and conditions to include the obligation of said Eligible CG to: (a) carry out its activities under the Project with due diligence and efficiency and in accordance with the Safeguards Instruments, and the Anti-Corruption Guidelines; (b) maintain policies and procedures adequate to enable it to monitor the progress of its activities under the Project and the achievement of the Project's objectives; (c) enable the Recipient and the Association to inspect the Project
activities within the Eligible CG's jurisdiction, its operation and any relevant records and documents; and (d) prepare and furnish to the Recipient and the Association all such information as the Recipient or the Association may reasonably request relating to the foregoing.

2. Each Participation Agreement shall be signed by the Cabinet Secretary of the Recipient's Ministry of Devolution and Planning on behalf of the Recipient and by the County Governor on behalf of the Eligible CG, or their designated representatives.

3. The Recipient shall exercise its rights and perform its obligations under each Participation Agreement in such manner as to protect the interests of the Recipient and the Association and to accomplish the purposes of the Financing. Except as the Association shall otherwise agree, the Recipient shall not assign, amend, abrogate or waive any Participation Agreement or any of its provisions.

4. If by December 31, 2018, any Eligible CG has not entered into a participation agreement with the Recipient, the Recipient may select an additional county to participate in the Project, using the criteria set forth in Section V of Schedule 2 to this Agreement and in the PIM.

D. Memoranda of Understanding

1. The Recipient shall make arrangements to make available to the Beneficiaries funds for Sub-projects in accordance with eligibility criteria and procedures acceptable to the Association, and as detailed in the PIM, and for such purpose shall ensure that the Eligible CGs conclude Memoranda of Understanding with the respective Beneficiaries on terms and conditions included in the PIM and approved by the Association; such terms and conditions to include the obligation of such Beneficiaries to: (a) carry out its activities under the Project with due diligence and efficiency and in accordance with the Safeguards Instruments, and the Anti-Corruption Guidelines; (b) maintain policies and procedures adequate to enable the Eligible CG, the Recipient and the Association to monitor the progress of its activities under the Project and the achievement of the Project's objectives; (c) enable the Eligible CG, the Recipient and the Association to inspect the Sub-project activities within the Eligible CG's jurisdiction, its operation and any relevant records and documents; and (d) prepare and furnish to the Eligible CG, Recipient and the Association all such information as the Recipient or the Association may reasonably request relating to the foregoing.

2. The Recipient shall ensure that the Eligible CGs exercise their rights and perform their obligations under each Memoranda of Understanding in such manner as to protect the interests of the Recipient and the Association and to accomplish the purposes of the Financing.
E. Safeguards

1. The Recipient shall ensure that the Project is implemented in accordance with the Safeguard Frameworks and the Safeguard Instruments. To that end, if any Project activities would, pursuant to the relevant Safeguard Framework, require the preparation of a Safeguard Instrument, the Recipient 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; and (b) disclosed following approval of the Association; and 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 Recipient shall not amend or waive any provision of the Safeguard Instruments.

2. The Recipient shall, in its Project Monitoring Reports, report on progress made on compliance with the Safeguards Instruments under the Project, giving details of measures taken in furtherance of the Safeguard Instruments and any conditions which interfere or threaten to interfere with the timely implementation of the Safeguards Instruments, and remedial measures taken or required to be taken to address such conditions.

3. The Recipient shall ensure that all advisory, analytical, planning, institutional capacity building, strategizing and such other services carried out under 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.

F. Annual Work Plans and Training

1. The Recipient shall:

(a) through the NPCU, prepare under terms of reference acceptable to the Association, and furnish to the Association, not later than March 31 of each year during the period of Project implementation, for the Association's review and approval, an Annual Work Plan of activities (including proposed training and workshop programs) proposed for inclusion in the Project during the following calendar year, together with a budget and financing plan for such activities and a timetable for their implementation, including amounts of the Recipient's counterpart funding required for the purpose; and
(b) thereafter, allocate the necessary counterpart funds and carry out the Project with due diligence during such following year in accordance with such annual work plan as shall have been approved by the Association.

2. The Recipient shall ensure that, in preparing any training or workshops proposed for inclusion in the Project under an agreed Annual Work Plan, it shall identify in the work plan: (a) the objective and content of the training or workshop envisaged; (b) the selection method of institutions or individuals conducting such training or workshop; (c) the expected duration and an estimate of the cost of said training or workshops; and (d) the description of people selected to attend the training or the workshop.

G. Immediate Response Mechanism

1. In order to ensure the proper implementation of Part D.3 of Schedule 1 of this Agreement, the Recipient shall:

   (a) six (6) months from the Effective Date of the Project, prepare and furnish to the Association for its review and approval, an operations manual which shall set forth detailed implementation arrangements for the Part D.3 of the Project, including: (i) designation of, terms of reference for and resources to be allocated to, the entity to be responsible for coordinating and implementing the Part D.3 of the Project; (ii) specific activities which may be included in the Part D.3, Eligible Expenditures required therefor, and any procedures for such inclusion; (iii) financial management arrangements for the Part D.3 of the Project; (iv) procurement methods and procedures for Emergency Expenditures to be financed under the Part D.3; (v) documentation required for withdrawals of Emergency Expenditures; (vi) environmental and social safeguard management frameworks for the Part D.3 of the Project, consistent with the Association's policies on the matter; and (vii) any other arrangements necessary to ensure proper coordination and implementation of the Part D.3 of the Project;

   (b) afford the Association a reasonable opportunity to review said proposed operations manual;

   (c) promptly adopt such operations manual for the Part D.3 of the Project as shall have been approved by the Association ("IRM Operations Manual");

   (d) ensure that the Part D.3 of the Project is carried out in accordance with the IRM Operations Manual; provided, however, that in the event of any inconsistency between the provisions of the IRM Operations Manual and this Agreement, the provisions of this Agreement shall prevail; and
(e) not amend, suspend, abrogate, repeal or waive any provision of the IRM Operations Manual without prior approval by the Association.

2. The Recipient shall, throughout the implementation of the Part D.3 of the Project, maintain the Coordinating Agency, with adequate staff and resources satisfactory to the Association.

3. The Recipient shall undertake no activities under the Part D.3 of the Project, unless and until the following conditions have been met in respect of said activities:

(a) the Recipient has determined that an Eligible Crisis or Emergency has occurred, has furnished to the Association a request to include said activities in the Part D.3 of the Project in order to respond to said Eligible Crisis or Emergency, and the Association has agreed with such determination, accepted said request and notified the Recipient thereof; and

(b) the Recipient has prepared and disclosed all safeguards instruments required for said activities, in accordance with the IRM Operations Manual, the Association has approved all such instruments, and the Recipient has implemented any actions which are required to be taken under said instrument.

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports

The Recipient shall monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 4.08 of the General Conditions and on the basis of indicators acceptable to the Association. Each Project Report shall cover the period of one calendar semester, and shall be furnished to the Association not later than one month after the end of the period covered by such report.

B. Financial Management, Financial Reports and Audits

1. The Recipient shall maintain or cause to be maintained a financial management system in accordance with the provisions of Section 4.09 of the General Conditions.

2. Without limitation on the provisions of Part A of this Section, the Recipient shall prepare and furnish to the Association not later than forty-five (45) days after the end of each calendar quarter, interim unaudited financial reports for the Project covering the quarter, in form and substance satisfactory to the Association.
3. The Recipient shall have its Financial Statements audited in accordance with the provisions of Section 4.09(b) of the General 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 was made under the Preparation Advance for the Project. The audited Financial Statements for each such period shall be furnished to the Association not later than six (6) months after the end of such period.

Section III. Procurement

A. General

1. Goods, Works and Non-consulting Services. All goods, works and non-consulting services required for the Project and to be financed out of the proceeds of the Financing shall be procured in accordance with the requirements set forth or referred to in Section I of the Procurement Guidelines, and with the provisions of this Section.

2. Consultants' Services. All consultants' services required for the Project and to be financed out of the proceeds of the Financing shall be procured in accordance with the requirements set forth or referred to in Sections I and IV of the Consultant Guidelines, and with the provisions of this Section.

3. Definitions. The capitalized terms used below in this Section to describe particular procurement methods or methods of review by the Association 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.

B. Particular Methods of Procurement of Goods, Works and Non-consulting Services

1. International Competitive Bidding. Except as otherwise provided in paragraph 2 below, goods, works and non-consulting services shall be procured under contracts awarded on the basis of International Competitive Bidding.

2. Other Methods of Procurement of Goods, Works and Non-consulting Services. The following methods, other than International Competitive Bidding, may be used for procurement of goods, works and non-consulting services for those contracts specified in the Procurement Plan:

(a) National Competitive Bidding, subject to the provisions set forth in paragraph 3 of this Part B;

(b) Shopping;
(c) Direct Contracting;

(d) Well established Private Sector Procurement Methods or Commercial Practices acceptable to the Association;

(e) Procurement under Public Private Partnership Arrangements acceptable to the Association; and

(f) Community Participation Procedures acceptable to the Association.

3. The following additional provisions shall apply to National Competitive Bidding, to the open tender procedures described in the Recipient’s Public Procurement and Assets Disposal Act, 2015:

(a) The tender submission date shall be set at least thirty (30) days after 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, operate under commercial law and are independent agencies of the Recipient’s government.

(c) Bidding documents and tender documents shall contain, inter alia, draft contracts and conditions of contracts, including provisions on fraud and corruption, audit and publication of award and shall be in form and substance satisfactory to the Association.

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

(e) Notification of contract award shall constitute formation of the contract. No negotiation shall be carried out prior to contract award.

C. 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:
D. **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.

E. **Procurement of Emergency Expenditures under the IRM Part D.3 of the Project**

Notwithstanding any provision to the contrary in this Section, Emergency Expenditures required for the IRM Part of the Project shall be procured in accordance with simplified procurement arrangements, methods and procedures set forth in the IRM Operations Manual.

Section IV. **Withdrawal of the Proceeds of the Financing**

A. **General**

1. The Recipient may withdraw the proceeds of the Financing in accordance with the provisions of Article II of the General Conditions, this Section, and such additional instructions as the Association shall 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 Association 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 Financing (“Category”), the allocations of the amounts of the Financing 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 Credit (expressed in SDR)</th>
<th>Percentage of Expenditures to be Financed (inclusive of Taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Sub-project Grants and Training under Part A of the Project</td>
<td>53,200,000</td>
<td>94%</td>
</tr>
<tr>
<td>(2) Sub-project Grants and Training under Part B of the Project</td>
<td>31,800,000</td>
<td>90%</td>
</tr>
<tr>
<td>(3) Sub-project Grants and Training under Part C of the Project</td>
<td>46,000,000</td>
<td>90%</td>
</tr>
<tr>
<td>(4) Goods, non-consulting services, consultants' services, Training and Operating Costs under Parts D.1(i) and D.2 of the Project</td>
<td>7,000,000</td>
<td>88%</td>
</tr>
<tr>
<td>(5) Goods, non-consulting services, consultants' services, Training and Operating Costs under Part D.1(ii) of the Project</td>
<td>3,400,000</td>
<td>88%</td>
</tr>
<tr>
<td>(6) Emergency Expenditures under Part D.3 of the Project</td>
<td>0</td>
<td>100% of amounts disbursed</td>
</tr>
<tr>
<td>(7) Refinancing of Preparation Advance</td>
<td>1,200,000</td>
<td>Amount payable pursuant to Section 2.07 of the General Conditions</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>142,600,000</td>
<td></td>
</tr>
</tbody>
</table>
B. Withdrawal Conditions; Withdrawal Period

1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made for:

   (a) payments made prior to the date of this Agreement; and

   (b) payments under Categories (1), (2), (3) and (5) made to any Eligible County unless and until the Eligible County has entered into a Participation Agreement with the Recipient.

2. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made under Category 6 for Emergency Expenditures under Part D.3 of the Project, unless and until the Association is satisfied, and notified the Recipient of its satisfaction, that all of the following conditions have been met in respect of said activities:

   (a) the Recipient has determined that an Eligible Crisis or Emergency has occurred, has furnished to the Association a request to include said activities in Part D.3 of the Project in order to respond to said Eligible Crisis or Emergency, and the Association has agreed with such determination, accepted said request and notified the Recipient thereof;

   (b) the Recipient has prepared and disclosed all safeguards instruments required for said activities, and the Recipient has implemented any actions which are required to be taken under said instruments, all in accordance with the provisions of Section I, Part G, paragraph 3 of Schedule 2 to this Agreement;

   (c) the Recipient's Coordinating Agency has adequate staff and resources, in accordance with the provisions of Section I, Part G, paragraph 2 of this Schedule 2 to this Agreement, for the purposes of said activities; and

   (d) the Recipient has adopted an IRM Operations Manual in form, substance and manner acceptable to the Association and the provisions of the IRM Operations Manual remain or have been updated in accordance with the provisions of Section I, Part G, paragraph 1 of this Schedule 2 so as to be appropriate for the inclusion and implementation of said activities under Part D.3 of the Project.

3. The Closing Date is December 15, 2021.
Section V. Other Undertakings

1. The Recipient shall select a County for participating in the Project when, based on criteria set forth in the PIM, it has verified that such County: (a) has agricultural, livestock and fisheries potential; (b) has high poverty indices, including poverty incidence and poverty rates, and includes a number of VMGs; (c) is vulnerable to climate change risks/fragile ecosystems; (d) is low in human development indicators, such as malnutrition and food insecurity; and (e) has formally committed to the Project’s objectives/principles and to provide cash/labor or in-kind support.

2. The Recipient shall, by no later than December 31, 2016, designate a Project accountant for the NPCU and assistant accountants for each of the CPCUs under terms of reference satisfactory to the Association and with qualifications satisfactory to the Association.

3. The Recipient shall establish, by no later than June 30, 2017, a management information system database with global positioning system coordinates for tracking micro-projects, satisfactory to the Association.

4. The Recipient shall, no later than December 31, 2016, designate project internal auditors at NPCU and each CPCU under terms of reference satisfactory to the Association and with qualifications satisfactory to the Association.

5. (a) The Recipient shall ensure that the Recipient’s Office of the Auditor General (“OAG”) sets up and implements an independent fiduciary monitoring and certification system at the national, county and community level, acceptable to the Association, by not later than June 30, 2017. The certification methodology, which will be subject to approval of the Association, will provide assurance on the proper use of Project funds and resources, and compliance with the Association’s financial management, disbursement and procurement policies and procedures.

(b) The Recipient shall ensure that the OAG provides reports to the Association on a semi-annual basis in a form and content satisfactory to the Association. The costs of setting up and implementing this system may be financed out of Project funds.

6. (a) The Recipient shall provide its own resources for the remaining 12% of Part D of the Project.

(b) The Recipient, through the Memoranda of Understanding referenced in Section I, Part D of Schedule 2 to this Agreement, shall ensure that Beneficiaries provide the resources for the remaining 6% of Part A of the Project.
(c) The Recipient, through the Participation Agreements referenced in Section I, Part C of Schedule 2 to this Agreement, shall ensure that Eligible CGs provide the resources for the remaining 10% of Parts B and C of the Project.
SCHEDULE 3

Repayment Schedule

<table>
<thead>
<tr>
<th>Date Payment Due</th>
<th>Principal Amount of the Credit repayable (expressed as a percentage)*</th>
</tr>
</thead>
<tbody>
<tr>
<td>On each May 15 and November 15, commencing November 15, 2022 to and including May 15, 2054</td>
<td>1.5625%</td>
</tr>
</tbody>
</table>

* The percentages represent the percentage of the principal amount of the Credit to be repaid, except as the Association may otherwise specify pursuant to Section 3.03(b) of the General Conditions.
APPENDIX

Section I. Definitions


2. "Annual Work Plan" means the work plan prepared for each year of implementation of the Project, in accordance with Section I, Part F of Schedule 2 to this Agreement.

3. "Beneficiaries" means the targeted rural smallholder farmers, including VMGs (as hereinafter defined) and other stakeholders, organized in CIGs (as hereinafter defined), and selected County governments, eligible for receiving Sub-projects grants (as hereinafter defined).

4. "CIG" means any group of stakeholders involved in the Project, organized in common interest groups.

5. "Category" means a category set forth in the table in Section IV of Schedule 2 to this Agreement.


8. "County Government" or "CG" means the government established by the County, in accordance with the laws of the Recipient.

9. "County Project Steering Committee" or "CPSC" means the steering committee at the county level referenced in Section I, Part A, paragraph 2 of Schedule 2 to this Agreement.

10. "CPCU" means the County Project Coordination Unit, referred to in Section I, Part A, paragraph 2 of Schedule 2 to this Agreement.

11. "Displaced Persons" means persons who on account of the execution of Parts of the Project, had or would have their: (i) standard of living adversely affected; or (ii) right, title, interest in any house, land (including premises, agricultural and grazing land) or any other fixed or movable asset acquired or possessed, temporarily or permanently; or (iii) access to productive assets adversely affected.
temporarily or permanently; or (iv) business, occupation, work or place of residence or habitat adversely affected; and “Displaced Person” means any of the Displaced Persons.

12. “Eligible CG” means the County Government of an Eligible County (as hereinafter defined).

13. “Eligible County” means a County selected in accordance with Section V, paragraph 1 of Schedule 2 to this Agreement and which is an executing agency responsible for implementation of Parts A, B, C and D.1(ii) of the Project within its geographical jurisdiction. The following counties are Eligible Counties: Bungoma, Embu, Homa Bay, Kiambu, Kilifi, Kirinyaga, Kisi, Kitui, Kwale, Makeni, Meru, Migori, Murang'a, Nakuru, Nandi, Narok, Nyamira, Samburu, Trans Nzoia, Turkana, Vihiga, and any other counties designated pursuant to Section I, Part C, paragraph 4 of Schedule 2 to this Agreement.

14. “Environmental and Social Management Framework” or “ESMF” means the instruments satisfactory to the Association, prepared and adopted by the Recipient, and disclosed in country and in the Association’s Infoshop on February 11, 2016, outlining the process for management of the environmental and social aspects of the Project as the same may be amended from time to time with the Association’s prior written concurrence.

15. “Environmental and Social Management Plan” or “ESMP” means any plan to be prepared by the Recipient, consistent with the ESMF, and to be duly disclosed in country and in the Association’s Infoshop, providing details about the management of the environmental and social aspects of the activities to be carried out under the Project, as the same may be amended from time to time with the Association’s prior written concurrence.

16. “Eligible Crisis or Emergency” means an event that has caused, or is likely to imminently cause, a major adverse economic and/or social impact to the Recipient, associated with a natural or man-made crisis or disaster.

17. “Emergency Expenditure” means any of the Eligible Expenditures set forth in the IRM Operations Manual in accordance with the provisions of Section I, Part G, paragraph 1(a)ii of Schedule 2 to this Agreement and required for the activities included in the IRM Part of the Project.


2 to this Agreement, to be adopted by the Recipient for Part D.3 of the Project in accordance with the provisions of said Section.

20. "Implementing Agency" means the Ministry of Devolution and Planning, which is responsible for implementation of Parts D.1(i), D.2 and D.3 of the Project and for accounting for Project results and resources.

21. "MOU" means the memorandum of understanding to be entered into between a County Government and the Beneficiaries for the carrying out of Sub-projects and referred to in Section I, Part D of Schedule 2 to this Agreement.

22. "NEMA" means the Recipient's National Environment Management Authority, or any legal successor thereto.

23. "NPCU" means the National Project Coordination Unit, referred to in Section I, Part A, paragraph 1(b) of Schedule 2 to the Agreement.

24. "NPSC" means the National Project Steering Committee referred to in Section I, Part A, paragraph 1(a) of Schedule 2 to this Agreement.

25. "NTAC" means the National Technical Advisory Committee referred to in Section I, Part A, paragraph 1(c) of Schedule 2 to this Agreement.


27. "Operating Costs" means the reasonable expenses incurred by the NPCU or CPCUs on account of Project implementation, based on an Annual Work Plan approved by the Association pursuant to Section I, Part F of Schedule 2 to this Agreement, including: expenditures for maintenance of equipment, facilities and vehicles used for Project implementation, fuel, routine repair and maintenance of equipment, vehicles and office premises, communication costs, use of internet costs, stationery and other office supplies, utilities used for Project implementation, consumables, travel per diems, accommodation expenses, workshop venues and materials, and costs of translation, printing, photocopying and advertising, but excluding salaries, top-ups, honoraria, or allowances of the Recipient's civil servants.

28. "Participation Agreement" means the agreement referred to in Section I, Part C of Schedule 2 to this Agreement.

29. "Preparation Advance" means the advance referred to in Section 2.07 of the General Conditions, granted by the Association to the Recipient pursuant to the letter agreement signed on behalf of the Association on September 7, 2015, and on behalf of the Recipient on September 7, 2015.

31. "Procurement Plan" means the Recipient’s procurement plan for the Project, dated June 29, 2016, and referred to in paragraph 1.18 of the Procurement Guidelines and paragraph 1.25 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.

32. "Project Implementation Manual" or "PIM" mean the manual prepared by the Recipient pursuant to the Section 4.01 of this Agreement containing detailed arrangements and procedures for the Project, including, inter alia (a) policies, administrative, and procurement procedures as well as guidelines to be followed in the implementation and monitoring of the Project; (b) the modalities for screening and approval of Sub-projects under Parts B and C of the Project, including the Beneficiaries Contribution; (c) the criteria related to staffing and budgeting and implementation of asset management to be fulfilled by the counties as a condition of transfer of implementation responsibility; (d) indicators on the performance; (e) the modalities for monitoring and evaluating the results of the Project; (f) the procedures for community participation to operation and maintenance of investments funded under the Project; (g) the schedule and amounts of the Recipient’s counterpart funding; and (h) the format and content of quarterly progress reports; as the same may be amended and/or supplemented from time to time; and such term includes any schedule to the PIM.

33. "Resettlement" means resettlement and rehabilitation of persons affected by the implementation of the Project, including as a result of the acquisition of land and other assets, and loss of access to land, other assets or income, whether permanent or temporary.

34. "Resettlement Action Plan" or "RAP" means the plan, satisfactory to the Association, to be prepared by the Recipient on the basis of the RPF (as hereinafter defined), and to be duly disclosed in country and in the Association’s Infoshop, as the said document may be amended and/or supplemented from time to time with the prior written concurrence of the Association and subject to the initial consultation and disclosure requirements carried out on the RAP, including, inter alia, a program of actions, measures and policies for the compensation, resettlement and rehabilitation of persons affected by the implementation of the Project, as the case may be, including as a result of the acquisition of land and other assets, and loss of access to land, other assets or income, whether permanent or temporary, together with adequate institutional, monitoring, reporting and grievance redressal arrangements capable of ensuring proper implementation of, and regular compliance with, its terms, as such Plan may be updated from time to time with the prior approval of the Association; and "Resettlement Actions Plans" or "RAPs" mean more than one such RAP.
35. "Resettlement Policy Framework" or "RPF" means the framework for the Project prepared by the Recipient, disclosed in country and in the Association's Infoshop on February 11, 2016, for compensation payments to be made under the Project to Displaced Persons as the said document may be amended and/or supplemented from time to time with the prior written concurrence of the Association.

36. "Safeguard Frameworks" means, collectively, the ESMFs, RPF and VMGF; and "Safeguard Framework" means any one of the Safeguard Frameworks.

37. "Safeguard Instrument" means, in respect of a given Project activity: (a) for which the ESMF requires an ESIA, said ESIA; (b) for which the ESIA requires an ESMP, said ESMP; (c) for which the RPF requires a RAP, said RAP; and (d) for which a VMGF requires a VMGP, said VMGP; all as shall have been prepared in accordance with the provisions of Section I, Part E of Schedule 2 to this Agreement.

38. "Sub-project" means the micro-projects carried out under Parts A, B and C of the Project.

39. "Sub-project grants" means the grants provided to finance Sub-projects.

40. "Training" means the reasonable costs for the following expenditures incurred in providing training or workshops: travel by participants and presenters to the training or workshop site, per diem allowances of such persons during the training or workshop, honoraria for the presenters, rental of facilities, materials, supplies and translation and interpretation services.

41. "Vulnerable and Marginalized groups" or "VMGs" means distinct, vulnerable, social and cultural groups that may be identified pursuant to the criteria outlined in the VMGF (as hereinafter defined) for the purposes of this Project.

42. "Vulnerable and Marginalized Groups Framework" or "VMGF" means an instrument prepared by the Recipient, satisfactory to the Association, disclosed in country and in the Association's Infoshop on February 11, 2016, outlining the basis for identifying vulnerable peoples and their rights, the appropriate consultative process as well as guidelines to avert, minimize, mitigate, or provide culturally appropriate compensation for any potentially adverse effects as the same may be amended from time to time with the Association's prior written concurrence.

43. "Vulnerable and Marginalized Groups Plan" or "VMGP" means each of the plans to be prepared by the Recipient, satisfactory to the Association, disclosed in country and in the Association's Infoshop, which sets out the measures to be carried out by the Recipient to ensure that: (a) VMGs affected by the project receive culturally appropriate social and economic benefits; and (b) when potential
adverse effects on VMGs are identified, those adverse effects are compensated for, avoided, minimized, or mitigated.