Financing Agreement
(Additional Financing for the National Safety Net Program for Results and Amendment to the Original Financing Agreement)

between

REPUBLIC OF KENYA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated April 27, 2017
AGREEMENT dated April 27, 2017, entered into between REPUBLIC OF KENYA ("Recipient") and INTERNATIONAL DEVELOPMENT ASSOCIATION ("Association") for the purpose of providing additional financing for the Original Program (as defined in the Appendix to this Agreement).

This Agreement: (i) sets out the terms and conditions related to the additional financing for the Program; and (ii) amends specific provisions of the Original Financing Agreement (as such term is defined in the Appendix to this Agreement), as set forth in Section II of the Appendix to this Agreement.

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 thirty-six million eight hundred thousand Special Drawing Rights (SDR 36,800,000) (variously, “Credit” and “Financing”), to assist in financing the program described in Schedule 1 to this Agreement (“Program”).

2.02. The Recipient may withdraw the proceeds of the Financing in accordance with Section IV of Schedule 2 to this Agreement. All withdrawals from the Financing Account shall be deposited by the Association into an account specified by the Recipient and acceptable to the Association.

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 The Service Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to three-fourths of one percent (3/4 of 1%) per annum.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

3.01. The Recipient declares its commitment to the objective of the Program. To this end, the Recipient shall carry out the Program 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 Program is carried out in accordance with the provisions of Schedule 2 to this Agreement.

ARTICLE IV — TERMINATION

4.01. The Effectiveness Deadline is the date one hundred twenty (120) days after the date of this Agreement.

4.02. 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. 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 Nairobi, Kenya, as of the day and year first above written.

REPUBLIC OF KENYA

By

Authorized Representative

Name: Henry Rotich
Title: Cabinet Secretary, National Treasury

INTERNATIONAL DEVELOPMENT ASSOCIATION

By

Authorized Representative

Name: Diarietou Caye
Title: Country Director for Kenya
SCHEDULE 1

Program Description

The objective of the Program is to support the Recipient’s efforts to establish an effective National Safety Net Program for poor and vulnerable households.

The Program consists of the Original Program.
SCHEDULE 2

Program Execution

Section I. Implementation Arrangements

A. Program Fiduciary, Environmental and Social Systems

Without limitation upon the provisions of Article IV of the General Conditions, the Recipient shall carry out the Program, or cause the Program to be carried out, in accordance with financial management, procurement and environmental and social management systems acceptable to the Association ("Program Fiduciary, Environmental and Social Systems") which are designed to ensure that:

1. the Financing proceeds are used for their intended purposes, with due attention to the principles of economy, efficiency, effectiveness, transparency, and accountability; and

2. the actual and potential adverse environmental and social impacts of the Program are identified, avoided, minimized, or mitigated, as the case may be, all through an informed decision-making process.

B. Anti-Corruption

Without limitation upon the provisions of Part A of this Section, the Recipient shall carry out the Program, or cause the Program to be carried out, in accordance with the provisions of the Anti-Corruption Guidelines.

C. Other Program Institutional and Implementation Arrangements

1. Program Institutions

Without limitation on the generality of Part A of this Section I, the Recipient shall maintain during the implementation of the Program the Ministry of East African Community, Labour and Social Protection ("MEACL&SP") and National Drought Management Authority ("NDMA"), each with technical, environmental and social management, fiduciary and other Program responsibilities satisfactory to the Association for implementing the Program, and with powers, functions, capacity, staffing and resources satisfactory to the Association to fulfill these responsibilities under the Program.

2. Operations Manuals for the Cash Transfer Programs

(i) The Recipient shall carry out the Program in accordance with the Operations Manuals, and, except as the Association shall otherwise agree
in writing, the Recipient shall not amend or waive any of said Operations Manuals.

(ii) In the event of any inconsistency between the provisions of any of the Operations Manuals and this Agreement the provisions of this Agreement shall govern.

3. Program Action Plan

The Recipient shall carry out the Program Action Plan in accordance with the schedule set out in the said Program Action Plan in a manner satisfactory to the Association.

4. Financial Management Action Plan

The Recipient shall prepare a Financial Management Action Plan, in form and substance acceptable to the Association, and thereafter ensure that agreed critical financial management actions are implemented in accordance with the Verification Protocol.

Section II. Excluded Activities

The Recipient shall ensure that the Program excludes any activities which:

A. in the opinion of the Association, are likely to have significant adverse impacts that are sensitive, diverse, or unprecedented on the environment and/or affected people; or

B. involve procurement of: (1) works, estimated to cost $50 million equivalent or more per contract; (2) goods, estimated to cost $30 million equivalent or more per contract; (3) non-consulting services, estimated to cost $20 million equivalent or more per contract; and (4) consultants' services, estimated to cost $15 million equivalent or more per contract

Section III. Program Monitoring, Reporting and Evaluation; Audits

A. Program Reports

The Recipient shall monitor and evaluate the progress of the Program and prepare Program Reports in accordance with the provisions of Section 4.08 of the General Conditions. Each Program Report shall cover the period of one calendar year, and shall be furnished to the Association not later than forty-five (45) days after the end of the period covered by such report.
B. Program Financial Audits

Without limitation upon the generality of Section LA of this Schedule 2 and Section 4.09 of the General Conditions, the Recipient shall have the Financial Statements audited in accordance with the provisions of Section 4.09 (b) of the General Conditions. Unless otherwise agreed by the Association, each audit of the Financial Statements shall cover the period of one fiscal year of the Recipient. 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.

C. Verification of Program Results

1. Without limitation on the provisions of Part A of this Section III, the Recipient shall prior to each payment under the Program:

   (a) carry out in accordance with the Verification Protocol, an assessment to determine the extent to which the Disbursement Linked Results (“DLR”) in respect of which payment is requested has been achieved; and

   (b) furnish said assessment to the Association for review.

2. The Recipient shall ensure that: (a) the Social Protection Secretariat shall be responsible for carrying out the verification of all the DLRs, except for DLR 10a which shall be verified by an independent verification agent, to be engaged by the Recipient, by not later than six (6) months after the date of this Agreement.

Section IV. Withdrawal of Financing Proceeds

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 may specify from time to time by notice to the Recipient to finance the results (“Disbursement Linked Results” or “DLRs”) achieved by the Recipient, as measured against specific indicators (“Disbursement Linked Indicators” or “DLIs”); all as set forth in the table in paragraph 2 of this Part A.

2. The following table specifies each category of withdrawal of the proceeds of the Financing (including the Disbursement Linked Indicators as applicable) (“Category”), the Disbursement Linked Results for each Category (as applicable), and the allocation of the amounts of the Financing to each Category:
<table>
<thead>
<tr>
<th>Category</th>
<th>Disbursement Linked Indicator (DLI)</th>
<th>Disbursement Result (DLR)</th>
<th>Amount of the Financing Allocated to each DLR (amounts expressed in SDR)</th>
<th>Amount of the Financing allocated to each Category (expressed in SDR)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1a.</td>
<td>Adoption by the Recipient of the expansion plan</td>
<td>6,800,000</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>1b.</td>
<td>Number of additional households enrolled in the NSNP according to the expansion plan</td>
<td>255.32 for each additional household enrolled</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>1c.</td>
<td>Recipient takes over the financing of 40,000 CT-OVC beneficiary households</td>
<td>147.5 will be disbursed for each additional household paid for by the Recipient</td>
<td>5,900,000</td>
<td></td>
</tr>
<tr>
<td>1d.</td>
<td>Adoption by the Recipient of the modified NSNP expansion plan</td>
<td>2,200,000</td>
<td>2,200,000</td>
<td></td>
</tr>
<tr>
<td>1e.</td>
<td>70,000 additional households in the NEDI counties enrolled in the NSNP and paid for through the Recipient’s budget</td>
<td>283.57 will be disbursed for each additional household enrolled.</td>
<td>19,850,000</td>
<td></td>
</tr>
<tr>
<td>2a.</td>
<td>Establishment of the baseline percentage of Program Beneficiaries who conform to the Targeting Criteria for the Cash</td>
<td>3,340,000</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Transfer Program in which they are enrolled</td>
<td></td>
<td></td>
<td></td>
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<td>---</td>
<td>---------------------------------------------</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2b.</td>
<td>Plan adopted for how all four NSNP programs will maintain an up-to-date registry of beneficiaries through recertification</td>
<td>3,340,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2c.</td>
<td>Completion of the rollout of the recertification plan in at least 20 sub-counties</td>
<td>3,330,000 for the first 10 sub-counties and 333,000 for each sub-county thereafter up to a total of 6,660,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3a.</td>
<td>Establishment of a Fully Operational Program MISs using Standards for Internal Payroll Controls</td>
<td>10,000,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3b.</td>
<td>Establishment of a Fully Operational Single Registry with links to the IPRS</td>
<td>6,680,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>4.</td>
<td>Increase in the percentage of NSNP Payments made electronically using Two Factor Authentication above the baseline of 40 percent of all NSNP Payments</td>
<td>200,000 for each 1 percentage point increase above 40 percent</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Extent to which payments are made on time to Payment Service Providers for transfer to Program Beneficiaries</td>
<td>Increase in the percentage of payments to Payment Service Providers for transfer to Program Beneficiaries on time above the baseline of 12 percent</td>
<td>158,730.16 for each 1 percentage point increase above 12 percent</td>
<td>0</td>
</tr>
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<td>-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------</td>
<td>------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------</td>
<td>---</td>
</tr>
<tr>
<td>6a.</td>
<td>Extent to which Grievance and Case Management mechanisms for the Cash Transfer Programs are functional</td>
<td>(i) The complaint and grievance mechanisms for all four Cash Transfer Programs are functional at national level</td>
<td>3,340,000</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(ii) The Grievance and Case Management mechanisms for all four Cash Transfer Programs are functional at all levels</td>
<td>6,680,000</td>
<td>0</td>
</tr>
<tr>
<td>6b.</td>
<td></td>
<td>(i) Beneficiary outreach strategy developed and adopted</td>
<td>2,014,000</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(ii) Beneficiary outreach strategy implemented in at least 20 sub-counties</td>
<td>6,660,000</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td>(iii) Beneficiary awareness of transfer amount and grievance and case management system</td>
<td>2,338,000 per indicator achieved as specified in Verification Protocol up to a total of 4,676,000</td>
<td></td>
<td></td>
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</tr>
<tr>
<td>7.</td>
<td>Extent to which the system for scaling up the NSNP has been adopted</td>
<td>Adoption of the system for scaling-up the NSNP</td>
<td>13,350,000</td>
<td></td>
</tr>
<tr>
<td>8a.</td>
<td>Extent to which the Recipient has adopted the consolidation strategy</td>
<td>Adoption of the consolidation strategy</td>
<td>3,340,000</td>
<td></td>
</tr>
<tr>
<td>8b.</td>
<td>Extent to which the Recipient has adopted the consolidation strategy</td>
<td>Implementation of the consolidation strategy</td>
<td>6,680,000</td>
<td></td>
</tr>
<tr>
<td>9.</td>
<td>Extent to which HSNP is financed</td>
<td>Recipient’s national budget reflects funding allocation to HSNP acceptable to the Association</td>
<td>3,340,000</td>
<td></td>
</tr>
<tr>
<td>10a.</td>
<td>Extent to which the Recipient shows that NSNP beneficiaries’ access to complementary social and productive services is promoted</td>
<td>Complementary services module in Single Registry is ready and formal data sharing protocols are available for the use of potential partners</td>
<td>1,500,000</td>
<td></td>
</tr>
<tr>
<td>10b.</td>
<td>Extent to which the Recipient shows that NSNP beneficiaries’ access to complementary social and productive services is promoted</td>
<td>Agreements signed with at least two partners providing relevant complementary services to NSNP beneficiary households</td>
<td>750,000</td>
<td></td>
</tr>
</tbody>
</table>
### 11a. Implementation of 30% of agreed critical financial management actions

| Extent to which the fiduciary systems for NSNP have been strengthened | Implementation of 30% of agreed critical financial management actions | 1,980,000 | 1,980,000 |

### 11b. Implementation of 70% of agreed critical financial management actions

| Implementation of 70% of agreed critical financial management actions | 66,000 for each one percentage point above 30% up to a maximum of 2,650,000 | 2,640,000 |

### 11c. Implementation of 100% of agreed critical financial management actions

| Implementation of 100% of agreed critical financial management actions | 66,000 for each one percentage point above 70% up to a maximum of 1,980,000 | 1,980,000 |

**TOTAL AMOUNT**

| 36,800,000 |

### B. Withdrawal Conditions; Withdrawal Period

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

   (a) for purposes of Section 2.03 of the General Conditions (renumbered as such pursuant to paragraph 6 of Section II of the Appendix to this Agreement and relating to Program Expenditures), for DLRs achieved prior to the date of this Agreement; and

   (b) for any DLR under any Category, until and unless the Recipient has furnished evidence satisfactory to the Association that said DLR has been achieved.

2. Notwithstanding the provisions of Part B.1(b) of this Section, the Recipient may withdraw an amount not to exceed SDR 9,200,000 as an advance; provided, however, that if the DLRs in the opinion of the Association, are not achieved by the Closing Date, the Recipient shall refund such advance to the Association promptly upon notice thereof by the Association. Except as otherwise agreed with the Recipient, the Association shall cancel the amount so refunded. Any further withdrawals requested as an advance under any Category shall be permitted only on such terms and conditions as the Association shall specify by notice to the Recipient.
3. Notwithstanding the provisions of Part B.1(b) of this Section, if any of the DLRs has not been achieved by the date by which the said DLR is set to be achieved, the Association may, by notice to the Recipient: (a) authorize the withdrawal of such lesser amount of the unwithdrawn proceeds of the Financing then allocated to said Category which, in the opinion of the Association, corresponds to the extent of achievement of said DLR, said lesser amount to be calculated in accordance with the formula set out in column 4 of the withdrawal table of this Section IV; (b) reallocate all or a portion of the proceeds of the Financing then allocated to said DLR to any other DLR; and/or (c) cancel all or a portion of the proceeds of the Financing then allocated to said DLR.

4. The Closing Date is June 30, 2020.

5. Notwithstanding the foregoing provisions of this Section IV, if at any time after the Closing Date the Recipient has failed to provide evidence satisfactory to the Association that the Withdrawn Financing Balance does not exceed the total amount of Program Expenditures, the Recipient shall, promptly upon notice from the Association, refund to the Association such excess amount of the Withdrawn Financing Balance. The Association shall cancel the refunded amount of the Withdrawn Financing Balance.

Section V. Other Undertaking

A. Without limitation on the provisions of Section 4.03 of the General Conditions, the Recipient shall ensure that: (a) by not later than July 1 of each FY of the Program, the Program activities and expenditures for said FY have been reflected in its national planning and expenditure framework and have been included in the Recipient’s national budget as adopted for said FY, in a manner satisfactory to the Association; (b) adequate funds for carrying out the Program activities have been provided in the adopted national budget; and (c) all funds so provided are made available in a timely manner to ensure proper Program implementation.
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 February 1 and August 1, commencing August 1, 2023 to and including February 1, 2055</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. “Cash Transfer” means a transfer of funds in the form of a non-refundable grant to a Program Beneficiary in accordance with the provisions of the Operations Manuals.

3. “Cash Transfer for Orphans and Vulnerable Children Program” or “CT-OVC” means the Recipient’s program, established and operating pursuant to the Kenya National Social Protection Policy, dated June 2011, for the purpose of assisting poor households caring for orphans and vulnerable children.

4. “Cash Transfer Programs” or “CTPs” means collectively, (a) the Cash Transfer for Orphans and Vulnerable Children Program; (b) the Hunger Safety Net Program; (c) the Older Persons Cash Transfer Program; and (d) the Persons with Severe Disabilities Cash Transfer Program, and Cash Transfer Program means each individual CTP.

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

6. “Disbursement Linked Indicator” or “DLI” means in respect of a given Category, the indicator related to said Category as set forth in the table in Section IV.A.2 of Schedule 2 to this Agreement.

7. “Disbursement Linked Result” or “DLR” means in respect of a given Category, the result under said Category as set forth in the table in Section IV.A.2 of Schedule 2 to this Agreement, on the basis of the achievement of which, the amount of the Financing allocated to said result may be withdrawn in accordance with the provisions of said Section IV.

8. “Financial Management Action Plan” means the action plan to be prepared pursuant to Section I.C.4 of Schedule 2 to this Agreement, setting out financial management actions that focus on, *inter alia*, improved reconciliation process of the payroll; strengthened payroll verification and approval workflows; better segregation of duties; and compliance of programs of management information systems with MEACL&SP’s operational manuals.

9. “Fiscal Year” or “FY” means July 1 to June 30 of each year.
10. "Fully Operational Program MISs" means the MISs for the Cash Transfer Programs designed to carry out the relevant internal controls and automatically generate the payroll for the CTPs.

11. "Fully Operational Single Registry" means a registry which comprises information from all the Cash Transfer Programs, located on the servers of the Social Protection Secretariat, linked to the IPRS and used to carry out the relevant internal controls of the Cash Transfer Programs.

12. "General Conditions" means the "International Development Association General Conditions for Credits and Grants", dated July 31, 2010, with the modifications set forth in Section II of this Appendix.

13. "Grievance and Case Management" means the mechanism established by the Recipient which allows Program Beneficiaries to lodge complaints and/or make updates to their beneficiary information.

14. "Hunger Safety Net Program" or "HSNP" means the Recipient's program, established pursuant to the Kenya National Social Protection Policy, dated June 2011, designed to deliver regular cash transfers to extremely poor households in selected counties in the drought-prone and semi-arid areas.

15. "IPRS" or "Integrated Population Registration System" means the Recipient's automated population database located in the Ministry of State for Immigration and Registration of Persons.

16. "Ministry of East African Community, Labour and Social Protection" or the acronym "MEACL&SP" means the Recipient's Ministry responsible for the CT-OVC, OPCT and PWSD-CT, or its legal successor thereto.

17. "MIS" or "MISs" means the Recipient's existing computerized management information systems for supporting the implementation and management of the Cash Transfer Programs.

18. "National Drought Management Authority" or "NDMA" means the Recipient's institution responsible for the HSNP, or its legal successor thereto.

19. "National Safety Net Program" and "NSNP" each means the Recipient's program described in the document dated May 2013 and entitled "National Safety Net Programme, Programme Document" designed to support poor and vulnerable households to improve their welfare and resiliency through the Cash Transfer Programs.

21. "NEDI" means North and Northeastern Development Initiative, of which the additional financing to the NSNP is a part. The NEDI comprises of interventions in different sectors including transport, water and sanitation, energy, agriculture and social protection.

22. "NSNP Payment" means a payment made by the Recipient under each respective Cash Transfer Program in accordance with the respective Operations Manual.

23. "Older Persons Cash Transfer" or "OPCT" means the Recipient’s program, established and operating pursuant to the Kenya National Social Protection Policy, dated June 2011, for the purpose of providing assistance to extremely poor, elderly households.


25. "Original Financing Agreement" means the financing agreement for a National Safety Net Program between the Recipient and the Association, dated September 9, 2013, as amended to date of this Agreement.

26. "Original Program" means the Program described in Schedule 1 to the Original Financing Agreement.

27. "Persons with Severe Disabilities Cash Transfer" or “PWSD-CT” means the Recipient’s program, established and operating pursuant to the Kenya National Social Protection Policy, dated June 2011, whose purpose is to provide a cash transfer to persons with severe disabilities living in extreme poverty.

28. “Payment Service Providers” or “PSPs” means any agency that makes payment of Cash Transfers to Program Beneficiaries.

29. "Program Action Plan" means the Recipient’s plan of June 2013, as updated in January 2017, and referred to in Section I.C.3 of Schedule 2 to this Agreement, as may be amended from time to time with the agreement of the Association.
30. "Program Beneficiary" means an individual who or a household which meets the eligibility criteria to receive a Cash Transfer under a Cash Transfer Program, in accordance with criteria set forth in the relevant Operations Manuals.

31. "Program Fiduciary and Environmental and Social Systems" means the Recipient's systems for the Program referred to in Section I.A of Schedule 2 to this Agreement.

32. "Single Registry" means the computerized platform that links the Management Information Systems of the Cash Transfer Programs.

33. "Social Protection Secretariat" means the Secretariat whose mandate includes policy and strategy formulation, and performing all other roles relating to the coordination of social protection in the Recipient's territory.

34. "Standards for Internal Payroll Controls" means the measures, acceptable to the Association, designed to ensure payroll accuracy for the Cash Transfer Programs.

35. "Targeting Criteria" means the eligibility criteria for households to benefit under each Cash Transfer Program set forth in the Operations Manuals.

36. "Two Factor Authentication" means an authentication test involving the use by a PSP of two factors to verify the identity of a potential Program Beneficiary.

37. "Urban Food Subsidy Cash Transfer" or "UFS-CT" means the Recipient's program, established and operating pursuant to the Kenya National Social Protection Policy, dated June 2011, for the purpose of increasing access to food for vulnerable households in urban poor communities in the short term, and helping such households engage in longer term food securing and income-generating activities.

38. "Verification Protocol" means the Recipient's protocol entitled 'DLI & Verification Protocol Table' dated June 11, 2013 and updated February 21, 2017 detailing the means by which the fulfillment of the Disbursement Linked Results will be verified under the Program.

Section II. Modifications to the General Conditions

The General Conditions are hereby modified as follows:

1. Wherever used throughout the General Conditions, the term “the Project” is modified to read “the Program”, the term “the Project Agreement” is modified to read “the Program Agreement”, the term “Project Implementing Entity” is modified to read “the Program Implementing Entity”, the term “Project Report” is modified to read “Program Report”; and the term “Eligible Expenditures” is modified to read “Program Expenditures”. 
2. In the Table of Contents, the references to Sections, Section names and Section numbers are modified to reflect the modifications set forth in the paragraphs below.

3. Section 2.02, Special Commitment by the Association, is deleted in its entirety, and the subsequent Sections in Article II are renumbered accordingly.

4. In Section 2.02 (originally numbered as Section 2.03), the heading "Applications for Withdrawal or for Special Commitment" is replaced with "Applications for Withdrawal", and the phrase "or to request the Association to enter into a Special Commitment" is deleted.

5. The section originally numbered as Section 2.04, Designated Accounts, is deleted in its entirety, and the subsequent Sections in Article II are renumbered accordingly.

6. Paragraph (a) of Section 2.03 (originally numbered as Section 2.05), Eligible Expenditures (renamed "Program Expenditures" in accordance with paragraph 1 of this Section II), is modified to read: "(a) the payment is for the financing of the reasonable cost of expenditures required for the Program and to be financed out of the proceeds of the Financing in accordance with the provisions of the Legal Agreements;".

7. The last sentence of Section 2.04 (originally numbered as Section 2.06), Financing Taxes, is modified to read: "To that end, if the Association at any time determines that the amount of any such Tax is excessive, or that such Tax is discriminatory or otherwise unreasonable, the Association may, by notice to the Recipient, exclude such amount or such Tax from the Program Expenditures to be financed out of the proceeds of the Financing, as required to ensure consistency with such policy of the Association."

8. Section 2.06 (originally numbered as Section 2.08), Reallocation, is modified to read: "Notwithstanding any allocation of an amount of the Financing to a withdrawal category under the Financing Agreement, the Association may, by notice to the Recipient, reallocate any other amount of the Financing to such category if the Association reasonably determines at any time that such reallocation is appropriate for the purposes of the Program."

9. Section 6.01, Cancellation by the Recipient, is modified to read: "The Recipient may, by notice to the Association, cancel any amount of the Unwithdrawn Financing Balance."

10. Paragraph (d) of Section 6.03, Cancellation by the Association, entitled "Misprocurement", is deleted, and subsequent paragraphs are relettered accordingly.
11. Section 6.04, *Amounts Subject to Special Commitment not Affected by Cancellation or Suspension by the Association*, is deleted in its entirety, and subsequent Sections in Article VI and references to such Sections are renumbered accordingly.

12. In the Appendix, *Definitions*, all references to Section numbers are modified, as necessary, to reflect the modifications set forth above. In addition, the definition of the term “Special Commitment” set forth in paragraph 50 is deleted in its entirety, and all subsequent paragraphs are renumbered accordingly.

### Section III. Amendments to the Original Financing Agreement

1. The objective of the Program set forth in Schedule 1 to the Original Financing Agreement is amended to read as follows:

   “The objective of the Program is to support the Recipient’s efforts to establish an effective National Safety Net Program for poor and vulnerable households.”

2. The numbering of Section I.C.1.03 of Schedule 2 to the Original Financing Agreement is corrected to read as “Section I.C.2 (Operations Manual for the Cash Transfer Payments)”

3. Sections I.C.5 (System for Scaling-up the NSNP) and 6 (Consolidation Strategy) of Schedule 2 to the Original Financing Agreement are deleted in their entirety.

4. Section III.A of Schedule 2 to the Original Financing Agreement is deleted in its entirety and replaced with the following:

   **A. Program Reports**

   The Recipient shall monitor and evaluate the progress of the Program and prepare Program Reports in accordance with the provisions of Section 4.08 of the General Conditions. Each Program Report shall cover the period of one calendar year, and shall be furnished to the Association not later than forty-five (45) days after the end of the period covered by such report.”

5. The withdrawal table set forth in Section IV of Schedule 2 to the Original Financing Agreement is deleted in its entirety and replaced with the following:
<table>
<thead>
<tr>
<th>Category</th>
<th>Disbursement Linked Indicator (DLI)</th>
<th>Disbursement Linked Result (DLR)</th>
<th>Amount of the Financing Allocated to each DLR (amounts expressed in SDR)</th>
<th>Amount of the Financing allocated to each Category (expressed in SDR)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1a.</td>
<td>Adoption by the Recipient of the expansion plan</td>
<td>6,800,000</td>
<td>6,800,000</td>
<td></td>
</tr>
<tr>
<td>1b.</td>
<td>Number of additional households enrolled in the NSNP according to the expansion plan</td>
<td>255.32 for each additional household enrolled</td>
<td>60,000,000</td>
<td></td>
</tr>
<tr>
<td>2a.</td>
<td>Establishment of the baseline percentage of Program Beneficiaries who conform to the Targeting Criteria for the Cash Transfer Program in which they are enrolled</td>
<td>3,340,000</td>
<td>3,340,000</td>
<td></td>
</tr>
<tr>
<td>2b.</td>
<td>Plan adopted for how all four NSNP programs will maintain an up-to-date registry of beneficiaries through recertification</td>
<td>3,340,000</td>
<td>3,340,000</td>
<td></td>
</tr>
<tr>
<td>2c.</td>
<td>Completion of the rollout of the recertification plan in at least 20 sub-counties</td>
<td>3,330,000 for the first 10 sub-counties and 333,000 for each sub-county thereafter up to a total of 6,660,000</td>
<td>6,660,000</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Extent to which the Single Registry is operational and program MISs use Standards for Internal Payroll Controls</td>
<td>Establishment of a Fully Operational Program MISs using Standards for Internal Payroll Controls</td>
<td>10,000,000</td>
<td>10,000,000</td>
</tr>
<tr>
<td>---</td>
<td>---------------------------------------------------------------------------------------------------------------</td>
<td>-------------------------------------------------------------------------------------------------</td>
<td>-----------</td>
<td>-----------</td>
</tr>
<tr>
<td>3b.</td>
<td>Establishment of a Fully Operational Single Registry with links to the IPRS</td>
<td>Establishment of a Fully Operational Single Registry with links to the IPRS</td>
<td>6,680,000</td>
<td>6,680,000</td>
</tr>
<tr>
<td>4.</td>
<td>Increase in the percentage of NSNP Payments made electronically using Two-Factor Authentication above the baseline of 40 percent of all NSNP Payments</td>
<td>Increase in the percentage of NSNP Payments made electronically using Two-Factor Authentication above the baseline of 40 percent of all NSNP Payments</td>
<td>200,000 for each 1 percentage point increase above 40 percent up to a total of 10,000,000</td>
<td>10,000,000</td>
</tr>
<tr>
<td>5.</td>
<td>Increase in the percentage of payments to Payment Service Providers for transfer to Program Beneficiaries</td>
<td>Increase in the percentage of payments to Payment Service Providers for transfer to Program Beneficiaries on time above the baseline of 12 percent</td>
<td>159,049 for each 1 percentage point increase above 12 percent up to a total of 10,000,000</td>
<td>10,000,000</td>
</tr>
<tr>
<td>6a.</td>
<td>(i) The complaint and grievance mechanisms for all four Cash Transfer Programs are functional</td>
<td>(i) The complaint and grievance mechanisms for all four Cash Transfer Programs are functional at national level</td>
<td>3,340,000</td>
<td>3,340,000</td>
</tr>
<tr>
<td></td>
<td>(ii) The Grievance and Case Management mechanisms for all four Cash Transfer</td>
<td>(ii) The Grievance and Case Management mechanisms for all four Cash Transfer</td>
<td>6,680,000</td>
<td>6,680,000</td>
</tr>
</tbody>
</table>
Programs are functional at all levels

6b. (i) Beneficiary outreach strategy developed and adopted 2,014,000 2,014,000

(ii) Beneficiary outreach strategy implemented in at least 20 sub-counties 6,660,000 6,660,000

(iii) Beneficiary awareness of transfer amount and Grievance and Case Management system. 2,338,000 per indicator achieved as specified in Grievance and Case Management system up to a total of 4,676,000

7. Extent to which the system for scaling up the NSNP has been adopted Adoption of the system for scaling-up the NSNP 13,350,000 13,350,000

8a. Extent to which the Recipient has adopted the consolidation strategy Adoption of the consolidation strategy 3,340,000 3,340,000

8b. Implementation of the consolidation strategy 6,680,000 6,680,000

9. Extent to which HSNP is financed Recipient’s national budget reflects funding allocation to HSNP acceptable to the Association 3,340,000 3,340,000

TOTAL AMOUNT 166,900,000
6. A new Section IV.B of Schedule 2 to the Original Financing Agreement is deleted and replaced with the following:

"B. Withdrawal Conditions; Withdrawal Period

1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made for any DLR under a given Category, until and unless the Recipient has furnished evidence satisfactory to the Association that said DLR has been achieved.

2. Notwithstanding the provisions of Part B.1 of this Section, the Recipient may withdraw an amount not to exceed the equivalent of SDR 41,700,000 as an advance; provided, however, that if any DLR in the opinion of the Association, is not achieved by the Closing Date, the Recipient shall refund such advance to the Association promptly upon notice thereof by the Association. Except as otherwise agreed with the Recipient, the Association shall cancel the amount so refunded. Any further withdrawals requested as an advance under any Category shall be permitted only on such terms and conditions as the Association shall specify by notice to the Recipient.

3. Notwithstanding the provisions of Part B.1 of this Section, if any of the DLRs has not been achieved by the date by which the said DLR is set to be achieved, the Association may, by notice to the Recipient, (a) authorize the withdrawal of such lesser amount of the unwithdrawn proceeds of the Financing then allocated to said Category which, in the opinion of the Association, corresponds to the extent of achievement of said DLR, said lesser amount to be calculated in accordance with the formula set out in column 4 of the withdrawal table of this Section IV; (b) reallocate all or a portion of the proceeds of the Financing then allocated to said DLR to any other DLR; and/or (c) cancel all or a portion of the proceeds of the Financing then allocated to said DLR.

4. The Closing Date is June 30, 2020.

5. Notwithstanding the foregoing provisions of this Section IV, if at any time after the Closing Date the Recipient has failed to provide evidence satisfactory to the Association that the Withdrawn Financing Balance does not exceed the total amount of Program Expenditures, the Recipient shall, promptly upon notice from the Association, refund to the Association such excess amount of the Withdrawn Financing Balance. The Association shall cancel the refunded amount of the Withdrawn Financing Balance."
6. The term “MGCSD” wherever used in the Original Financing Agreement is deleted and replaced with “MEACL&SP” or “Ministry of East African Community, Labour and Social Protection”. A new definition is added to Section I of the Appendix to the Original Financing Agreement to read as follows:

""Ministry of East African Community, Labour and Social Protection” or the acronym “MEACL&SP” means the Recipient’s Ministry responsible for the CT-OVC, OPCT and PWSD-CT, or its legal successor thereto.”

7. Definitions No. 10 (“Consolidation Strategy”) and No. 29 (“NSNP Scaling System”) in the Appendix to the Original Financing Agreement are deleted.

8. A new definition is added to the Appendix to the Original Financing Agreement as follows:

“41. “Grievance and Case Management” means the mechanism established by the Recipient which allows Program Beneficiaries to lodge complaints and/or make updates to their beneficiary information.”