Hon. Njeru Githae  
Minister of Finance  
Ministry of Finance  
Treasury Building  
Nairobi, Kenya

Re: Kenya Cash Transfer for Orphans and Vulnerable Children Project  
TF097272

Dear Hon. Githae:

In response to the request for financial assistance made on behalf of the Republic of Kenya ("Recipient"), I am pleased to inform you that the International Development Association ("World Bank"), acting as administrator of grant funds provided by various "Donor (s)" under the Cash Transfer for Orphans and Vulnerable Children Program proposes to extend to the Recipient a grant in an amount not to exceed nine million three hundred and eighty thousand, three hundred and sixty four United States Dollars (U.S.$ 9,380,364) ("Grant") on the terms and conditions set forth or referred to in this letter agreement ("Agreement"), which includes the attached Annex, to assist in the financing of the project described in the Annex ("Project"). This grant amount is in addition to the grant amount mentioned in the grant agreement dated July 08, 2010.

This Grant is funded out of the above-mentioned trust fund for which the World Bank receives periodic contributions from the Donors. In accordance with Section 3.02 of the Standard Conditions (as defined in the Annex to this Agreement), the World Bank's payment obligations in connection with this Agreement are limited to the amount of funds made available to it by the Donor(s) under the above-mentioned trust fund, and the Recipient's right to withdraw the Grant proceeds is subject to the availability of such funds.

The Recipient represents, by confirming its agreement below, that it is authorized to enter into this Agreement and to carry out the Project in accordance with the terms and conditions set forth or referred to in this Agreement.
Please confirm the Recipient’s agreement to the foregoing by having an authorized official of the Recipient sign and date the enclosed copy of this Agreement, and returning it to the World Bank. Upon receipt by the World Bank of this countersigned copy, this Agreement shall become effective as of the date of the countersignature.

Very truly yours,

INTERNATIONAL DEVELOPMENT ASSOCIATION

[Signature]

Johannes Zutt
Country Director for Kenya
Africa Region

AGREED:
REPUBLIC OF KENYA

By [Signature]
Authorized Representative

Name: ROBINSON NJERU GITHAE
Title: MINISTER FOR FINANCE
Date: 21ST APRIL 2012

Enclosures:

(2) Disbursement Letter dated July 8, 2010, together with World Bank Disbursement Guidelines for Projects, dated May 1, 2006
Article I
Standard Conditions; Definitions


1.02. **Definitions.** Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the Standard Conditions or in this Agreement and the following additional terms have the following meanings:

1.03. “Beneficiary” means an Eligible Household (as hereinafter defined) that has been selected and has enrolled to receive Cash Transfers (as hereinafter defined) under the Project.

1.04. “Cash Transfer” or “CT” means a transfer of funds in the form of a non-refundable grant by the Recipient of the grant to a Beneficiary with the aim of relieving the economic burden of caring for an OVC and to reduce the cost of the OVC accessing basic education, health and birth registration services (as some of these expressions are hereinafter defined).

1.05. “Department of Children Services” means the Department of Children Services in the Ministry of Gender, Children and Social Development (as hereinafter defined).

1.06. “Eligible Household” means a household on the Recipient’s territory, which meets the eligibility criteria for receipt of Cash Transfers.

1.07. “Management Letter” means a letter issued by the external auditors as part of the annual audit report setting forth internal control weaknesses identified during the audit period.

1.08. “Ministry of Gender, Children and Social Development.” means the Recipient’s Ministry responsible for Gender, Children and Social Development.

1.09. “Orphans and Vulnerable Children” or “OVC” means children under eighteen (18) years old, who: (i) are single or double orphan, (ii) are chronically ill or who have a caregiver who is chronically ill, or (iii) live in a child-headed household.

1.10. “Program” means the Recipient’s program designed to strengthen the capacities of approximately 100,000 households to take care of OVC by 2012, including through a cash transfer program.
Article II
Project Execution

2.01. *Project Objectives and Description.*

The objective of the Project is to increase social safety net access for extremely poor OVC households, through an effective expansion of the CT-OVC Program.

The Project consists of the following parts:

**Part 1. Support to the Expansion of the CT-OVC**

Strengthening the ability of vulnerable households to effectively protect and care for OVC, ensuring that OVC stay within their communities and can be cared for effectively, by: (i) providing Cash Transfers to selected households; and (ii) supporting activities related to the transfer of Cash Transfers to Beneficiaries.

**Part 2. Policy Development and Institutional Strengthening**

Strengthening the capacity of the Recipient in the implementation of the Program, by strengthening the capacity of the Department of Children Services at national, provincial, district and local levels in a range of skills including administration, management, coordination and monitoring and evaluation, as well as in communication and governance and accountability, through technical assistance and training.

2.02. *Project Execution Generally.* The Recipient declares its commitment to the objectives of the Project. To this end, the Recipient shall carry out the Project in accordance with the provisions of: (a) Article II of the Standard Conditions; (b) the “Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants”, dated October 15, 2006 and revised in January 2011 (“Anti-Corruption Guidelines”); and (c) this Article II.

2.03. *Institutional and Other Arrangements.* The Recipient declares its commitment to the objectives of the Project. To this end, the Recipient shall carry out the Project through Ministry of Gender, Children and Social Development.

2.04. *Project Monitoring, Reporting and Evaluation.* (a) The Recipient shall monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 2.06 of the Standard Conditions and on the basis of indicators acceptable to the World Bank. Each Project Report shall cover the period of one calendar semester, and shall be furnished to the World Bank not later than one month after the end of the period covered by such report.

(b) The Recipient shall prepare the Completion Report in accordance with the provisions of Section 2.06 of the Standard Conditions. The Completion Report shall be furnished to the World Bank not later than six months after the Closing Date.

2.05. *Financial Management.* (a) The Recipient shall ensure that a financial management system is maintained in accordance with the provisions of Section 2.07 of the Standard Conditions.
(b) The Recipient shall ensure that interim unaudited financial reports for the Project are prepared and furnished to the World Bank not later than 45 days after the end of each calendar quarter, covering the quarter, in form and substance satisfactory to the World Bank.

(c) The Recipient shall have its Financial Statements audited in accordance with the provisions of Section 2.07 (b) of the Standard Conditions. Each such 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 World Bank not later than six months after the end of such period.

Article III
Withdrawal of Grant Proceeds

3.01. Eligible Expenditures. The Recipient may withdraw the proceeds of the Grant in accordance with the provisions of: (a) the Standard Conditions; (b) this Section; and (c) such additional instructions as the World Bank may specify by notice to the Recipient (including the “World Bank Disbursement Guidelines for Projects” dated May 2006, as revised from time to time by the World Bank and as made applicable to this Agreement pursuant to such instructions), to finance Eligible Expenditures as set forth in the following table. The table specifies the categories of Eligible Expenditures that may be financed out of the proceeds of the Grant (“Category”), the allocations of the amounts of the Grant to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category:

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the additional Grant Allocated (expressed in USD)</th>
<th>Percentage of Expenditures to be Financed (inclusive of Taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Cash Transfers under Part 1 of the Project</td>
<td>9,380,364</td>
<td>100%</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>9,380,364</td>
<td></td>
</tr>
</tbody>
</table>

3.02. Withdrawal Conditions. Notwithstanding the provisions of Section 3.01 of this Agreement, no withdrawal shall be made for payments made prior to the date of countersignature of this Agreement by the Recipient.

3.03. Withdrawal Period. The Closing Date referred to in Section 3.06 (c) of the Standard Conditions is December 31, 2013.
Article IV
Recipient’s Representative; Addresses

4.01. Recipient’s Representative. The Recipient’s Representative referred to in Section 7.02 of the Standard Conditions is the Minister responsible for Finance.

4.02. Recipient’s Address. The Recipient’s Address referred to in Section 7.01 of the Standard Conditions is:

Ministry of Finance
Treasury Building
P.O. Box 30007, 00100
Nairobi
Republic of Kenya

Cable: FINANCE Nairobi
Telex: 22921 minfin-ke
Facsimile: 254 20 330426

4.03. World Bank’s Address. The World Bank’s Address referred to in Section 7.01 of the Standard Conditions is:

International Development Association
1818 H Street, N.W.
Washington, D.C. 20433
United States of America

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