Global Partnership on Output-Based Aid
Grant Agreement
(Kenya Electricity Expansion Project)

between

REPUBLIC OF KENYA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION
(acting as Administrator of the Global Partnership on Output-Based Aid)

Dated 29th June, 2016
GLOBAL PARTNERSHIP ON OUTPUT-BASED AID
GRANT AGREEMENT

AGREEMENT dated 29th JUNE, 2016, entered into between
REPUBLIC OF KENYA (Recipient) and INTERNATIONAL DEVELOPMENT
ASSOCIATION ("World Bank"), acting as administrator of the Global Partnership on
Output-based Aid (GPOBA) (the "Trust Fund") for the purpose of providing additional
financing for activities related to the Original Project as defined in Schedule 1 to the
Financing Agreement for a Kenya Electricity Expansion Project between the Recipient and
the Association, dated July 5, 2010, as amended to the date of this Agreement (Credit No.
4743-KE) (Original Financing Agreement).

WHEREAS an Additional Financing has been also provided under a Global
Partnership on Output-Based Aid Grant Agreement between the Kenya Power and Lighting
Company and the International Development Association, dated February 20, 2012, as
amended (Grant Number TFOA10097);

WHEREAS the Recipient has requested the Association acting as administrator of
the Trust Fund, to provide a Grant in an amount equivalent to three million United States
Dollars (US$3,000,000) in support of activities related to the Project described in Schedule
1 to this Agreement; and

WHEREAS the Recipient intends to obtain from the International Development
Association, an additional Credit in an amount equivalent to forty-eight million Special
Drawing Rights (SDR 48,000,000) in support of additional activities related to the Original
Project;

NOW THEREFORE, the World Bank and the Recipient hereby agree as follows:

Article I
Standard Conditions; Definitions

1.01. The "Standard Conditions for Grants Made by the World Bank Out of Various
Funds", dated February 15, 2012 ("Standard Conditions"), 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 Standard Conditions or in this
Agreement.
Article II
The Project

2.01. The Recipient declares its commitment to the objectives of the project described in Schedule 1 to this Agreement ("Project"). To this end, the Recipient shall carry out the Project in accordance with the provisions of Article II of the Standard Conditions.

2.02. Without limitation upon the provisions of Section 2.01 of this Agreement, and except as the Recipient and the World Bank 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 III
The Grant

3.01. The World Bank agrees to extend to the Recipient, on the terms and conditions set forth or referred to in this Agreement, a grant in an amount equal to three million United States Dollars (US$3,000,000) ("Grant") to assist in financing the Project.

3.02. The Recipient may withdraw the proceeds of the Grant in accordance with Section III of Schedule 2 to this Agreement.

3.03. The Grant is funded out of the abovementioned trust fund for which the World Bank receives periodic contributions from the donors to the trust fund. In accordance with Section 3.02 of the Standard Conditions, the World Bank's payment obligations in connection with this Agreement are limited to the amount of funds made available to it by the donors under the abovementioned trust fund, and the Recipient’s right to withdraw the Grant proceeds is subject to the availability of such funds.

Article IV
Additional Remedies

4.01. The Additional Events of Suspension referred to in Section 4.02(k) of the Standard Conditions consists of the following:

(a) IBRD or IDA has declared the Recipient ineligible to receive proceeds of any financing made by IBRD or IDA, or otherwise to participate in the preparation or implementation of any project financed in whole or in part by IBRD or IDA (including as administrator of funds provided by another financier), as a result of: (i) a determination by IBRD or IDA that the Recipient has engaged in fraudulent, corrupt, coercive or collusive practices in connection with the use of the proceeds of any financing made by IBRD or IDA; and/or (ii) a declaration by another financier that the Recipient is ineligible to receive proceeds of financings made by such
financier or otherwise to participate in the preparation or implementation of any project financed in whole or in part by such financier as a result of a determination by such financier that the Recipient has engaged in fraudulent, corrupt, coercive or collusive practices in connection with the use of the proceeds of a financing made by such financier.

(b) As a result of events which have occurred after the date of this Agreement, an extraordinary situation has arisen which makes it improbable that the Recipient will be able to perform its obligations under this Agreement.

(c) The Companies Act or the Memorandum and Articles of Association pursuant to which the Recipient has been established and is operating has been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of the Recipient to perform any of its obligations under this Agreement.

(d) The World Bank has determined after the Effective Date referred to in Section 5.03 of this Agreement that prior to such date but after the date of this Agreement, an event has occurred which would have entitled the World Bank to suspend the Recipient's right to make withdrawals from the Grant Account if this Agreement had been effective on the date such event occurred.

Article V
Effectiveness; Termination

5.01. This Agreement shall not become effective until evidence satisfactory to the World Bank has been furnished to the World Bank that the conditions specified below have been satisfied:

(a) The execution and delivery of this Agreement on behalf of the Recipient has been duly authorized or ratified by all necessary corporate action.

(b) If the World Bank so requests, the condition of the Recipient, as represented or warranted to the World Bank at the date of this Agreement, has undergone no material adverse change after such date.

5.02. As part of the evidence to be furnished pursuant to Section 5.01(a), there shall be furnished to the World Bank an opinion or opinions satisfactory to the World Bank of counsel acceptable to the World Bank or, if the World Bank so requests, a certificate satisfactory to the World Bank of a competent official of the Recipient, showing that on behalf of the Recipient, this Agreement has been duly authorized or ratified by, and executed and delivered on its behalf and is legally binding upon it in accordance with its terms.
5.03. Except as the Recipient and the World Bank shall otherwise agree, this Agreement shall enter into effect on the date upon which the World Bank dispatches to the Recipient notice of its acceptance of the evidence required pursuant to Section 5.01 ("Effective Date"). If, before the Effective Date, any event has occurred which would have entitled the World Bank to suspend the right of the Recipient to make withdrawals from the Grant Account if this Agreement had been effective, the World Bank may postpone the dispatch of the notice referred to in this Section until such event (or events) has (or have) ceased to exist.

5.04. This Agreement and all obligations of the parties under it shall terminate if it has not entered into effect by the date 90 days after the date of this Agreement, unless the World Bank, after consideration of the reasons for the delay, establishes a later date for the purpose of this Section. The World Bank shall promptly notify the Recipient of such later date.

Article VI
Recipient’s Representative; Addresses

6.01. The Recipient’s Representative referred to in Section 7.02 of the Standard Conditions is the Recipient’s Cabinet Secretary at the time responsible for Finance.

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

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

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

6.03. 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

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

INTERNATIONAL DEVELOPMENT ASSOCIATION
acting as administrator of the Global Partnership on Output-Based Aid

By

Authorized Representative

Name: CAIler
Title: NATIONAL TREASURY

By

Authorized Representative

Name: DIABIKOH HAIK
Title: COUNTRY DIRECTOR - AFRICA REGION
SCHEDULE 1

Project Description

The objective of the Project are to: (a) increase the capacity, efficiency, and quality of electricity supply; and, (b) expand access to electricity in urban, peri-urban, and rural areas.

The Project consists of Part C.3(b) of the Original Project consists of the following:

Electrification of low income consumers

Provision of grants for the connection of eligible consumers and supporting the verification of the connections.
SCHEDULE 2

Project Execution

Section I. Institutional and Other Arrangements

A. Institutional Arrangements

1. The Recipient shall be responsible for overall Project coordination, implementation, management and oversight of the Project and shall throughout Project implementation, maintain an institutional framework, functions, and resources satisfactory to the World Bank, including qualified and experienced staff in adequate numbers and terms of reference satisfactory to the World Bank.

2. The Recipient shall maintain until Project completion, a Project Implementation Team (PIT) comprising a team leader, a project manager, a project engineer, a procurement specialist, an accountant, an environmental specialist, and any other specialists as may be required for the effective implementation of the Project, in each case with terms of reference, qualifications and experience satisfactory to the World Bank.

3. The PIT shall be responsible for implementing the Project including financial management of Project funds and preparation of progress and financial reports, of the Project.

B. Output-Based Slum Electrification

The Recipient shall cause KPLC to: (a) implement the Project in accordance with the Output-Based Slum Electrification Manual, including providing for independent agent verification of the number and quality of the connections; and (b) not assign, amend, abrogate or waive any of the provisions of the Output-Based Slum Electrification Manual without the World Bank’s prior written concurrence.

C. Subsidiary Agreement

1. To facilitate the carrying out of the Project, the Recipient shall make part of the proceeds of the Financing, in the form of grants, available to KPLC under a subsidiary agreement between the Recipient and KPLC, under terms and conditions approved by the World Bank (Subsidiary Agreement”).

2. The Recipient shall exercise its rights under the Subsidiary Agreement in such manner as to protect the interests of the Recipient and the World Bank and to accomplish the purposes of the Financing. Except as the World Bank shall otherwise agree, the Recipient shall not assign, amend, abrogate or waive the Subsidiary Agreement or any of its provisions.
D. Anti-Corruption

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

E. Safeguards

1. The Recipient shall ensure that the Project is carried out in accordance with the Environmental and Social Management Framework.

2. Without limitation to its other reporting obligations under this agreement and under Section 2.06 of the Standard Conditions, the Recipient shall include in the Project Reports referred to in Section II.A of this Schedule adequate information on the implementation of the above-mentioned Safeguards Instruments, giving details of:

(a) measures taken in furtherance of such Safeguards Instruments;

(b) conditions, if any, which interfere or threaten to interfere with the smooth implementation of such Safeguards Instruments; and

(c) remedial measures taken or required to be taken to address such conditions, and to ensure the continued efficient and effective implementation of the Safeguards Instruments.

F. Disclosure of Information and Social Accountability

The Recipient shall throughout the implementation of the Project, ensure that there are adequate Social Accountability Measures to ensure that stakeholders participate effectively in monitoring the use of Project resources.

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports; Completion Report

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 and set out in the PIM. Each Project Report shall cover the period of one quarter, and shall be furnished to the World Bank not later than one month after the end of the period covered by such report.

B. Financial Management; Financial Reports; Audits

1. The Recipient shall ensure that a financial management system is maintained in accordance with the provisions of Section 2.07 of the Standard Conditions.
2. The Recipient shall ensure that interim unaudited financial reports for the Project are prepared and furnished to the World Bank as part of the Project Report not later than one month after the end of each calendar quarter, covering the quarter, in form and substance satisfactory to the World Bank.

3. The Recipient shall, upon the World Bank’s request, have its Financial Statements for the Project audited in accordance with the provisions of Section 2.07(b) of the Standard Conditions. Such audit of the Financial Statements shall cover the period indicated in the World Bank’s request. The audited Financial Statements for each such period shall be furnished to the World Bank not later than six months after the date of the World Bank’s request.

Section III. Withdrawal of Grant Proceeds

A. General

1. The Recipient may withdraw the proceeds of the Grant in accordance with the provisions of: (a) Article III of the Standard Conditions; (b) this Section; and (c) such additional instructions as the World Bank may specify by notice to the Recipient (including the “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 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 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 Grant Allocated (expressed in USD)</th>
<th>Percentage of Expenditures to be Financed (inclusive of Taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Connection Fees</td>
<td>3,000,000</td>
<td>Such percentage that the World Bank shall determine and communicate to the Recipient in an Annual Confirmation Letter</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>3,000,000</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 Category 1 unless a Verification Report satisfactory to the World Bank has been received from the Recipient.

2. Withdrawals for expenditures under Category 1 shall be made upon verification of new and functional electricity connections to eligible consumers.

3. For purposes of this Section, the term:

   (a) “Connection Fees” shall mean such amount as the World Bank shall determine and communicate to the Recipient in an Annual Confirmation Letter, to be provided for every connection made to eligible consumers and verified in accordance with the terms of this Agreement; and

   (b) “Annual Confirmation Letter” means a letter from the World Bank to the Recipient indicating the amount of Subsidy per eligible connection and applicable percentage rate of disbursement for the Project for the year.

4. The Closing Date referred to in Section 3.06(c) of the Standard Conditions is December 31, 2017.
APPENDIX

Section I. Definitions


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

3. "Companies Act" means the Companies Act 2015, establishing the framework for incorporation, regulation and the winding up of companies.

4. "Environmental and Social Management Framework" or "ESMF" means "an instrument satisfactory to the World Bank, prepared and adopted by the Republic of Kenya outlining the process for management of the environmental and social aspects of Project as the same may be amended from time to time with the World Bank's prior written concurrence.

5. "Environmental and Social Management Plan" and "ESMP" means an environmental and social management plan to be prepared and adopted by the Recipient in accordance with the procedures and requirements under the ESMF and referred to in Section I.E.1. of Schedule 2 to this Agreement, defining: (a) the measures to be taken during the implementation of a particular activity to eliminate or offset adverse environmental or social impacts, or to reduce them to acceptable levels, and (b) the actions needed to implement these measures, as such ESMP may be amended from time to time with the prior written approval of the World Bank.

6. "GPOBA" or "Global Partnership on Output-Based Aid" a Trust Fund established under the partnership of donors and international organizations working together to support output-based aid (OBA) approaches, and administered by the World Bank.

7. "Kenya Power and Lighting Company Limited" or "KPLC" means a publicly listed, limited liability company incorporated and operating under the Recipient's Companies Act 2015, or its legal successor thereto.

8. "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.

9. "Memorandum and Articles of Association" means the memorandum of association of a company and the articles of association of a company as originally framed or as altered by the company from time to time, and which comprise the
constitutive documents for incorporation and or registration of a company under the Companies Act.


11. “Output-Based Slum Electrification Manual” means the Manual dated December 20, 2011, prepared by the KPLC setting forth the rules, procedures, standards and guidelines for the implementation of the Output-Based Slum Electrification activities under the Project, as the same may be amended and supplemented from time to time with the prior written agreement of the Association.

12. “Project Implementation Team” or “PIT” means the project implementation team of the Recipient responsible for the day-to-day implementation of the Project.

13. “Safeguard Instruments” means: (i) the Environmental and Social Management Framework dated April 18, 2016; and (ii) the Environmental and Social Management Plan and “Safeguard Instrument” means any one of such instruments.

14. “Subsidiary Agreement” means the Subsidiary Agreement referred to in Section I.C of Schedule 2 to this Agreement pursuant to which the Recipient shall make part of the proceeds of the Financing available to KPLC.

15. “Social Accountability Measures” means the measures taken by the Recipient for periodic disclosure of information related to the Project and includes information on budget allocation, allocation of funds, project operational results, project implementation progress, audit findings: reports on corruption and fraud, and mechanisms for public complaints and feedback, as referred to in Section 1.F of Schedule 2 to this Agreement.

16. “Verification Reports” means the reports evidencing, inter alia, verification of the quality and quantity of outputs under the Project based on a representative sample of connections realized during the payment period and referred to in paragraph B. I of Section III of Schedule 2 to this Agreement.