Project Agreement
(Water and Sanitation Development Project)

between

INTERNATIONAL DEVELOPMENT ASSOCIATION

and

COAST WATER SERVICES BOARD

Dated 21 June 2014
PROJECT AGREEMENT

AGREEMENT dated 21 June, 2017 entered into between the INTERNATIONAL DEVELOPMENT ASSOCIATION ("Association") and COAST WATER SERVICES BOARD ("Project Implementing Entity") ("Project Agreement") in connection with the IDA Financing Agreements (Credit No. 6029-KE) and the SUF Financing Agreement (Credit No. 6030-KE) (collectively, "Financing Agreements") of same date between the REPUBLIC OF KENYA ("Recipient") and the Association. The Association and the Project Implementing Entity hereby agree as follows:

ARTICLE I — GENERAL CONDITIONS; DEFINITIONS

1.01. The General Conditions (as defined in the Appendix to the Financing Agreements) constitute an integral part of this Agreement.

1.02. Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the Financing Agreements or the General Conditions.

ARTICLE II — PROJECT

2.01. The Project Implementing Entity declares its commitment to the objectives of the Project. To this end, the Project Implementing Entity shall carry out Part I(b) of the Project in accordance with the provisions of Article IV of the General Conditions, and shall provide promptly as needed, the funds, facilities, services and other resources required for its Respective Part of the Project.

2.02. Without limitation upon the provisions of Section 2.01 of this Agreement, and except as the Association and the Project Implementing Entity shall otherwise agree, the Project Implementing Entity shall carry out its Respective Part of the Project in accordance with the provisions of the Schedule to this Agreement.

ARTICLE III — TERMINATION

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

4.01. The Project Implementing Entity’s Representative is its Chief Executive Officer.

4.02. The Association’s Address is:

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

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

4.03. The Project Implementing Entity’s Address is:

Coast Water Services Board  
Mikindani St.  
P.O. Box 90417-80100  
Mombasa, KENYA

Telephone:  Facsimile:  
254-41-2315230  254-41-2316471
AGREED at **Mombasa, Kenya**, as of the day and year first above written.

INTERNATIONAL DEVELOPMENT ASSOCIATION

By

[Signature]

Authorized Representative

Name: **DIAMETOU GAYE**

Title: **COUNTRY DIRECTOR**

COAST WATER SERVICES BOARD

By

[Signature]

Authorized Representative

Name: **JACOB W. TOATT**

Title: **CEO CWSS**
SCHEDULE

Execution of the Project Implementing Entity's Respective Part of the Project

Section I. Implementation Arrangements

A. Project Implementation Manual

The Project Implementing Entity shall carry out its Respective Part of the Project in accordance with the arrangements and procedures set out in the Project Implementation Manual ("PIM"), (provided, however, that in the event of any conflict between the arrangements and procedures set out in the PIM and the provisions of this Agreement, the provisions of this Agreement shall prevail) and shall not amend, abrogate or waive any provision of the PIM unless the Association has provided its prior no-objection thereof in writing.

B. Anti-Corruption

The Project Implementing Entity shall ensure that its Respective Part of the Project is carried out in accordance with the provisions of the Anti-Corruption Guidelines.

C. Safeguards

1. The Project Implementing Entity shall carry out its Respective Part of the Project in accordance with the Safeguard Frameworks and the Safeguard Instruments. To that end, if any activities under its Respective Part of the Project would, pursuant to the relevant Safeguard Framework, require the preparation of a Safeguard Instrument, the Project Implementing Entity shall ensure that said activities shall not be implemented unless and until said Safeguard Instrument has been: (a) prepared, in accordance with the relevant Safeguard Framework and furnished to the Association for approval; and (b) disclosed following approval of the Association; and (c) all measures required to be taken thereunder prior to the commencement of said Project activities, have been taken. Except as the Association shall otherwise agree in writing, and subject to compliance with the same consultation and information disclosure requirements as applied to the adoption of the aforesaid Safeguard Instruments in the first instance, the Project Implementing Entity shall not amend or waive any provision of the Safeguard Instruments.

2. The Project Implementing Entity shall, prior to commissioning of any civil works relating to the water transmission mains under the Project, arrange for one or more dam specialists who shall have the qualifications and experience satisfactory to the Association, to: (a) inspect and evaluate the safety status of the Mwache Dam; (b) review and evaluate the owner's operation and maintenance
procedures; and (c) provide a written report of findings and recommendations for any remedial work or safety-related measures necessary to upgrade the Mwache Dam to an acceptable standard of safety, all satisfactory to the Association and consistent with the Association's social and environmental safeguard policies.

3. The Project Implementing Entity shall, prior to commissioning of any civil works under its Respective Part of the Project, undertake an assessment, as required under the ESMF, of potential negative impacts to the natural habitats, and if the assessment shows that: (a) some species are at risk of being negatively affected by the Project activities, the Project Implementing Entity shall undertake special studies to protect or preserve such species identified; and (b) irreversible damage would be done to some species because of the Project activities, such activities will be excluded from the Project.

4. The Project Implementing Entity shall ensure that all advisory, analytical, planning, institutional capacity building, strategizing and such other services carried out under its Respective Part of the Project shall be carried out according to terms of reference, satisfactory to the Association, requiring such services to deliver products which take into account, and are consistent with, the Association’s social and environmental safeguard policies.

5. The Project Implementing Entity shall, in its Project Monitoring Reports, report on progress made on compliance with the Safeguards Instruments under its Respective Part of 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.

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports

The Project Implementing Entity shall monitor and evaluate the progress of its Respective Part of the Project and prepare Project Reports for its Respective Part of the Project in accordance with the provisions of Section 4.08 of the General Conditions and on the basis of indicators set forth in the PIM and acceptable to the Association. Each such Project Report shall cover the period of one calendar semester, and shall be furnished to the Recipient not later two weeks after the end of the period covered by such report for incorporation and forwarding by the Recipient to the Association of the overall Project Report.

B. Financial Management, Financial Reports and Audits

1. The Project Implementing Entity shall maintain a financial management system and prepare financial statements in accordance with consistently applied
accounting standards acceptable to the Association, both in a manner adequate to reflect the operations and financial condition of the Project Implementing Entity, including the operations, resources and expenditures related to its Respective Part of the Project.

2. The Project Implementing Entity shall have its financial statements referred to above audited by independent auditors acceptable to the Association, in accordance with consistently applied auditing standards acceptable to the Association. Each audit of these financial statements shall cover the period of one fiscal year of the Project Implementing Entity. The Project Implementing Entity shall ensure that the audited financial statements for each period shall be: (a) furnished to the Recipient and the Association not later than six (6) months after the end of the period; and (b) made publicly available in a timely fashion and in a manner acceptable to the Association.

Section III. Procurement

All goods, works and services required for the Project Implementing Entity’s Respective Part of the Project and to be financed out of the proceeds of the Financing shall be procured in accordance with the provisions of Section III of Schedule 2 to the SUF Financing Agreement.