Mr. Henry Rotich  
Cabinet Secretary, the National Treasury  
Treasury Building  
Nairobi

Kenya: IDF Grant for the Strengthening the Use of Country Safeguards Systems Project  
(IDF Grant No. TF012609)

Dear Mr. Rotich:

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 Bank for Reconstruction and Development (“World Bank”) proposes to extend to the Recipient a grant from the World Bank’s Institutional Development Fund (“IDF”) in an amount not to exceed four hundred eighty seven thousand eight hundred and eighty United States Dollars (US$487,880) (“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”).

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.

This Agreement shall become effective as of the date specified by the World Bank in accordance with Section 4.02 of Article IV of Annex I to this Agreement.
Very truly yours,
INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

By
Diariétou Gaye
Country Director for Kenya
Africa Region

AGREED:

REPUBLIC OF KENYA

By
Authorized Representative

Name
Title
Date:

Enclosures:


(2) Disbursement Letter of the same date as this Agreement, together with World Bank Disbursement Guidelines for Projects, dated May 1, 2006


(5) 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
Article I
Standard Conditions; Definitions

1.01. **Standard Conditions.** 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. **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 terms have the following meanings:

(a) "Kenya Electricity Generating Company Limited" means a publicly listed, limited liability company incorporated and operating under the Companies Act, Cap 486, responsible for generation of electricity or its legal successor thereto.

(b) "Kenya Electricity Transmission Company Limited" means a public limited liability company incorporated and operating under the Companies Act, Cap 486, responsible for the construction, operation and maintenance of high voltage electricity transmission lines and substations for the national transmission grid or its legal successor thereto.

(c) "Kenya National Highways Authority" means the authority established with a legal personality and operating pursuant to the Roads Act (Act No. 2 of 2017), as amended, of the laws of the Recipient and includes any legal successors thereto.

(d) "Kenya Power and Lighting Company" means a publicly listed, limited liability company incorporated and operating under the Companies Act, Cap 486, responsible for transmission and distribution of electricity or any legal successor thereto.

(e) "Kenya Railways Corporation" means the Recipient’s railways corporation established and operating pursuant to the Kenya Railways Act, 1978, CAP 397, or its legal successor thereto.

(f) "Kenya Urban Roads Authority" means the institution established and operating pursuant to the Kenya Roads Act, 2007, or its legal successor thereto.

(g) "Ministry of Environment, Water and Natural Resources" means the Recipient’s ministry responsible for matters relating to environment, water and natural resources.

(h) "National Environment Management Authority" or "NEMA" means the body established under the Environmental Management and Coordination Act (EMCA) No. 8 of 1999 as the principal instrument of the Recipient in the coordination and implementation of all policies relating to the environment, or its legal successor thereto.
(i) "Project Implementing Entity" means the National Environment Management Authority.

(j) "Project Coordinator" means the staff of the Project Implementing Entity designated and charged with the responsibility of the day-to-day management and implementation of the Project and referred to in Section 2.03(d) of the Annex to this Agreement.

(k) "Steering Committee" means a committee of the Recipient established for purposes of this Project and comprising representatives from NEMA, the Ministry of Environment, Water and Natural Resources, and other selected ministries and government departments.

(l) "Targeted Ministries" means the Recipient's ministries responsible for (i) environment, water and natural resources; (ii) energy and petroleum (including Kenya Power and Lighting Company, Kenya Electricity Transmission Company Limited, and Kenya Electricity Generating Company Limited); (iii) transport and infrastructure (including Kenya Railways Corporation, Kenya National Highways Authority, and Kenya Urban Roads Authority); (iv) agriculture, livestock and fisheries; and (v) devolution and national planning.

(m) "Training" means the following expenditures incurred in providing training or workshops: (i) travel by participants and presenters to the training or workshop site; (ii) per diem allowances of such persons during the training or workshop; (iii) honoraria for the presenters; (iv) rental of facilities; (v) materials, supplies; and (vi) translation and interpretation services.

**Article II**

*Project Execution*

2.01. **Project Objectives and Description.** The objective of the Project is to strengthen the assessment, implementation and monitoring and evaluation capacity of national safeguard practitioners in the use of the Recipient’s environmental and social safeguards systems. The Project consists of the following parts:

**Part 1:** Developing a results-based environmental and social Safeguards management framework through:

(a) Carrying out a diagnostic assessment to ascertain existing safeguards capacity within Targeted Ministries, with the aim of identifying gaps in the knowledge and skills base.

(b) Preparation of: (i) a consolidated safeguards management framework to establish a clear and standardized approach to national safeguards work within the context of country systems; and (ii) an operational manual providing guidance on how to effectively conduct safeguards assessments, enforcement, implementation and monitoring and evaluation processes.

(c) Development and production of learning modules for safeguards practitioners to be used for on-demand training for management and mitigation of environmental
and social impacts of sector-specific investment activities in the Recipient’s territory.

Part 2: Strengthening country systems capacity in environmental and social safeguards management through:

(a) Provision of training in the areas of environmental and social safeguards management in key growth sectors to a core group of national safeguard practitioners to enable them to conduct safeguards work required by the Targeted Ministries and to train other safeguards practitioners in relevant public sector agencies.

(b) (i) Carrying out a local workshop for international safeguard practitioners to facilitate exposure to safeguard practices from other Sub-Saharan African countries; and (ii) organizing a number of follow-up global exchange videoconference seminars.

(c) Carrying out: (i) the design, production and distribution of learning and communication materials; and (ii) participatory learning sessions for members of the civil society about their role and responsibility in the environmental and social assessment process.

Part 3: Carrying out the effective management of the Grant, including two independent audits.

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 through the National Environment Management Authority (“Project Implementing Entity”) 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

Without limitation upon Section 2.02 above:

Subsidiary Agreement

(a) The Recipient shall make the proceeds of the Grant available to the Project Implementing Entity on a grant basis under a subsidiary agreement between the Recipient and the Project Implementing Entity, under terms and conditions approved by the World Bank (“Subsidiary Agreement”), including terms whereby the Project Implementing Entity shall be required to: (i) carry out the Activities with due diligence and efficiency and in accordance with sound technical, economic, financial, managerial, environmental and social standards and practices satisfactory to the World Bank, including in accordance with the provisions of the Anti-Corruption Guidelines; (ii) provide, promptly as needed, the resources required for the purpose; (iii) procure the goods and services to be financed out of the Grant in accordance with the provisions of this Agreement; (iv) maintain policies and procedures adequate to enable it to monitor and
evaluate in accordance with indicators acceptable to the World Bank, the progress of the Activities and the achievement of the Grant’s objectives; (v) (A) maintain a financial management system and prepare financial statements in accordance with consistently applied accounting standards acceptable to the World Bank, both in a manner adequate to reflect the operations, resources and expenditures related to the Activities; and (B) at the World Bank’s or the Recipient’s request, have such financial statements audited by independent auditors acceptable to the World Bank, in accordance with consistently applied auditing standards acceptable to the World Bank, and promptly furnish the statements as so audited to the Recipient and the World Bank; (vi) enable the Recipient and the World Bank to inspect the Activities, their operations and any relevant records and documents; and (vii) prepare and furnish to the Recipient and the World Bank all such information as the Recipient or the World Bank shall reasonably request relating to the foregoing.

(b) The Recipient shall obtain rights adequate to protect its interests and those of the World Bank and shall perform its obligations and exercise said rights under the Subsidiary Agreement in such a manner as to protect the interests of the Recipient and the World Bank and to accomplish the purposes of the Grant. 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.

Steering Committee

(c) The Recipient shall ensure and cause the Project Implementing Entity to maintain through-out Project Implementation the Steering Committee with composition and terms of reference satisfactory to the World Bank and with adequate resources to perform its responsibilities under the Project. The Steering Committee shall be responsible for: (i) overall coordination of the Project; (ii) approval of annual work plans and budgets; and (iii) overseeing monitoring and evaluation of grant outcomes.

Project Coordinator

(d) The Recipient shall ensure and cause the Project Implementing Entity to designate maintain through-out Project Implementation a Project Coordinator with qualifications and terms of reference satisfactory to the World Bank. The Project Coordinator shall be responsible for the day-to-day coordination and implementation of the Project.

2.04. Project Monitoring, Reporting and Evaluation. (a) The Recipient shall monitor and evaluate the progress of the Project and, upon the World Bank’s request, 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 such period as shall be indicated in the World Bank’s request and shall be furnished to the World Bank not later than one (1) month after the date of such request.

(b) The Recipient shall, upon the World Bank’s request, 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 (6) 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 forty-five (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 audit of the Financial Statements shall cover the period of one (1) fiscal year of the Recipient. The audited Financial Statements for each such period shall be furnished to the World Bank not later than six (6) months after the end of such period.

2.06. **Procurement**

(a) **General.** All goods and consultants' services required for the Project and to be financed out of the proceeds of the Grant shall be procured in accordance with the requirements set forth or referred to in:


(ii) Sections I and IV of the “Guidelines: Selection and Employment of Consultants under IBRD Loans and IDA Credits and Grants by World Bank Borrowers”, dated January 2011 (“Consultant Guidelines”) in the case of consultants' services; and

(iii) the provisions of this Section, as the same shall be elaborated in the procurement plan prepared and updated from time to time by the Recipient for the Project in accordance with paragraph 1.18 of the Procurement Guidelines and paragraph 1.25 of the Consultant Guidelines (“Procurement Plan”).

(b) **Definitions.** The capitalized terms used in the following paragraphs of this Section to describe particular procurement methods or methods of review by the World Bank 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.

(c) **Particular Methods of Procurement of Goods and Non-consulting Services.** Goods and non-consulting services shall be procured under contracts awarded on the basis of Shopping.
(d) **Particular Methods of Procurement of Consultants’ Services**

(i) Except as otherwise provided in item (ii) below, consultants’ services shall be procured under contracts awarded on the basis of Quality- and Cost-based Selection.

(ii) The following methods may be used for the procurement of consultants’ services for those assignments which are specified in the Procurement Plan: (A) Selection based on Consultants’ Qualifications; (B) Single-source Selection of consulting firms; (C) Well-established Private Sector Procurement Methods or Commercial Practices which have been found acceptable to the World Bank; (D) Selection of Individual Consultants; and (E) Single-source procedures for the Selection of Individual Consultants.

(e) **Review by the World Bank of Procurement Decisions.** The Procurement Plan shall set forth those contracts which shall be subject to the World Bank’s Prior Review. All other contracts shall be subject to Post Review by the World Bank.

**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) 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 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 Grant Allocated (expressed in USD)</th>
<th>Percentage of Expenditures to be Financed (inclusive of Taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Goods</td>
<td>27,500</td>
<td>100%</td>
</tr>
<tr>
<td>(2) Consultants’ Services</td>
<td>359,000</td>
<td>100%</td>
</tr>
<tr>
<td>(3) Training</td>
<td>101,380</td>
<td>100%</td>
</tr>
<tr>
<td><strong>TOTAL AMOUNT</strong></td>
<td><strong>487,880</strong></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 three years after the date of countersignature of this Agreement by the Recipient.
Article IV
Effectiveness; Termination

4.01. This Agreement shall not become effective until evidence satisfactory to the World Bank has been furnished to the World Bank that the Recipient and the Project Implementing Entity have executed the Subsidiary Agreement satisfactory referred to in Section 2.03(a) of Annex I to this Agreement.

4.02. 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 4.01 ("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.

4.03. Termination for Failure to Become Effective. This Agreement and all obligations of the parties under it shall terminate if it has not entered into effect by the date ninety (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 V
Recipient’s Representative; Addresses

5.01. Recipient’s Representative. The Recipient’s Representative referred to in Section 7.02 of the Standard Conditions is the cabinet secretary responsible for the National Treasury.

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

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

Cable: FINANCEnairobi
Telex: 22921 minfin-ke
Facsimile: 254 20 330426

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

International Bank for Reconstruction and Development
1818 H Street, N.W.
Washington, D.C. 20433
United States of America

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