Financing Agreement
(Amending and Restating Development Credit Agreement)

(Northern Corridor Transport Improvement Project)

between

REPUBLIC OF KENYA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated May 8, 2009
FINANCING AGREEMENT
(Amending and Restating Development Credit Agreement)

AGREEMENT dated May 8, 2009, entered into between the REPUBLIC OF KENYA ("Recipient") and the INTERNATIONAL DEVELOPMENT ASSOCIATION ("Association").

WHEREAS (A) under an agreement dated June 25, 2004, between the Association and the Recipient ("Development Credit Agreement"), the Association agreed to provide the Recipient with a credit in an amount equivalent to one hundred and thirty eight million four hundred and forty thousand Special Drawing Rights (SDR 138,440,000) ("Original Credit") to assist in financing the Northern Corridor Transport Improvement Project described in Schedule 2 to the Development Credit Agreement;

(B) the Recipient has requested the Association to provide additional financial assistance in support of the Northern Corridor Transport Improvement Project by increasing the amount made available under the Development Credit Agreement by an amount in various currencies equivalent to one hundred sixty-nine million five hundred thousand Special Drawing Rights (SDR 169,500,000) ("Additional Credit");

(C) the Recipient received a loan from the Nordic Development Fund (NDF) in an amount of Euro 16,000,000 (the NDF Loan) to assist in financing Parts A and E.2 of the Project on the terms and conditions set forth in an agreement dated March 21, 2006 between the Recipient and NDF (the NDF Loan Agreement);

WHEREAS the Association has agreed, on the basis, inter alia, of the foregoing to extend such additional assistance to the Recipient upon the terms and conditions set forth in this Agreement;

NOW THEREFORE the Recipient and the Association hereby agree to amend in its entirety and restate the Development Credit Agreement as of the Effective Date of this Agreement, to read 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 three hundred and ten million four hundred and forty thousand Special Drawing Rights (SDR 310,440,000) (variously, “Credit” and “Financing”) which consists of: (a) an Original Credit in various currencies equivalent to one hundred and thirty eight million four hundred and forty thousand Special Drawing Rights (SDR 138,440,000); and (b) an Additional Credit in various currencies equivalent to one hundred and seventy two thousand Special Drawing Rights (SDR 172,000,000), to assist in financing the project described in Schedule 1 to this Agreement (“Project”).

2.02. The Recipient may withdraw the proceeds of the Financing in accordance with Section IV of Schedule 2 to this Agreement.

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 May 15 and November 15 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 — PROJECT**

3.01. The Recipient declares its commitment to the objectives of the Project. To this end, the Recipient shall carry out Parts A, B, C, D and E of the Project through the Ministry of Roads (“MOR”) and Part H through the Ministry of Transport (“MOT”) and cause part F to be carried out by the Kenya Airport Authority (KAA) and Part G to be carried out by the Kenya Civil Aviation Authority (KCAA) in accordance with the provisions of Article IV of the General Conditions and the Project Agreements.
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 Project is carried out in accordance with the provisions of Schedule 2 to this Agreement.

3.03 Except as the Recipient and the Association shall otherwise agree, the Recipient shall (a) maintain, for the duration of the Project, an account in Kenya Shillings (“Project Account”) for the Project, in a commercial bank on terms and conditions satisfactory to the Association;

(b) deposit into the Project Account: (i) KES 100,000,000; and (ii) thereafter, deposit into the Project Account at quarterly intervals during the Project implementation, commencing no later than 6 months anniversary of the effectiveness date, such amount as shall be required to replenish the Project Account back to the amount of the initial deposit referred to in paragraph (b) (i) of this Section.

(c) ensure that funds deposited into the Project Account in accordance with paragraph (b) of this Section shall be used exclusively to finance expenditures under Parts A through E of the Project.

ARTICLE IV

REMEDIES OF THE ASSOCIATION

4.01 The Additional Events of Suspension consist of the following:

(a) The legislation setting up the KAA as of the date of this Agreement shall have been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of KAA to perform any of its obligations under the Project Agreement.

(b) The legislation setting up KCAA shall have been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of KCAA to perform any of its obligations under the Project Agreement.

4.02 The Additional Events of Acceleration consist that the events specified in paragraphs (a) and (b) of Section 4.01 of this Agreement occur.

ARTICLE V —EFFECTIVENESS; TERMINATION

5.01 The Effectiveness Deadline is the date ninety (90) days after the date of this Agreement.
ARTICLE VI — REPRESENTATIVE; ADDRESSES

6.01. The Recipient’s Representative is its Minister responsible for finance.

6.02. The Recipient’s Address is:

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

Cable address: FINANCENairobi
Telex: 22921minfin-ke
Facsimile: + (254) 20 330426

6.03. The Association’s Address is:

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

Cable: INDEVAS
Telex: 248423 (MCI)
Facsimile: 1-202-477-6391
Washington, D.C.
AGREED at Nairobi, Republic of Kenya, as of the day and year first above written.

REPUBLIC OF KENYA

By /s/ Uhuru Kenyatta

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Johannes C.M. Zutt

Authorized Representative
SCHEDULE 1

Project Description

The objective of the Project is to enhance the efficiency and effectiveness of the Recipient’s transport sector through: (a) increasing the efficiency of road transport; (b) enhancing aviation safety and security to meet international standards; (c) promoting private sector participation in the management, financing, and maintenance of road assets; and (d) restoring vital public infrastructure and assets damaged as a result of the December 2007 post-election crisis.

The Project consists of the following parts, subject to such modifications thereof as the Recipient and the Association may agree upon from time to time to achieve such objectives:

**Part A: Rehabilitation of the Northern Corridor and Emergency Restoration of Damaged Public Assets**

1. Rehabilitation of infrastructure and provision of services for the improvement of approximately 383 kilometers of roads in selected sections along the Northern Corridor.

2. Rehabilitation and repair of roads, bridges, buildings and other public infrastructure damaged or destroyed by floods or the events of December 2007 post-election crisis.


4. Implementation of the mitigation measures specified in the Environmental Impact Assessment (EIAs) and provision of support to Project Affected Persons (PAP), including resettlement activities and compensation.

**Part B: Roadside Amenities and Mitigation of HIV/AIDS**

1. Construction of facilities to enhance the socioeconomic impact on local communities and improve safety of road users, including bus and truck stops, parking areas, bicycle paths, pedestrian sidewalks, utilities, and merchandise booths for use by local communities.

2. Development and implementation of measures to mitigate effects of HIV/AIDS, including awareness and information dissemination, distribution of condoms, strengthening of local health centers, facilitation of voluntary testing and counseling including construction of kiosks for these purposes, and provision of support to infected and affected people.
Part C: Private Sector Participation in Road Management and Maintenance

Provision of technical advisory services for the preparation of bid documents, facilitation of the concession of selected road sections of the Northern Corridor; and carrying out performance-based maintenance by the private sector of approximately 300 kilometers of selected roads.

Part D: Road Safety Improvement

Improvement of safety conditions in selected locations along the Northern Corridor, including carrying out of a road safety and awareness campaign, construction of approximately 5 children’s traffic safety parks, rehabilitation of about 5 of the existing children’s traffic safety parks, and improvement of safety conditions of hazardous locations.

Part E: Institutional Strengthening

Development and implementation of various institutional and policy reforms and institutional capacity building measures, including:

1. Strengthening the capacity of Kenya Roads Board (KRB) and reforming its mandate through carrying out of studies and reviews, and provision of technical advisory services and training.

2. Conducting feasibility studies and designing of the (a) Kibwezi-Kitui-Mwingi-Maua-Isiolo road corridor; (b) the alternative route linking northern Tanzania to Narok in the territory of the Recipient; (c) the Sudan link road; (d) the access road to the Moi international airport, Mombasa; and (e) the Mombasa by pass.

3. Preparing a ten-year national transportation development plan.

4. Carrying out several transport sector studies including an urban transport study on Nairobi.

5. Strengthening and building the capacity of the Roads Department, Materials Research and Development Department, Kenya National Highway Authority (KeNHA), Kenya Rural Roads Authority (KeRRA), Kenya Urban Roads Authority (KURA), Kenya Roads Board (KRB), Mechanical and Transport Department, Kenya Institute of Highways and Building Technology (KIHBOT), Engineers Registration Board and associated institutions; the External Resources Department (ERD) State Law Office, Department of Government Investments and Public Enterprises (DGIPE), and the Institution of Engineers of Kenya through provision of equipment, training and technical advisory services.

6. Establishing and building the capacity of the National Construction Authority (NCA).
7. Establishing a system in KeNHA for responding to and managing disasters requiring emergency road works and other related materials.

8. Monitoring, evaluating and conducting of impact assessment of the Project including reviewing of ongoing and recently completed contracts for compliance with the relevant contractual requirements.

**Part F: Support to the Kenya Airports Authority**

Provision of support to KAA to improve aviation security, safety, and operations at major airports through acquisition of equipment and vehicles; carrying out of civil works; provision of technical advisory services, and training, including:

1. Expansion of the Jomo Kenyatta international airport through its reconfiguration and construction of a new unit.

2. Installation of fencing, lighting, and surveillance systems at Jomo Kenyatta international airport, Moi international airport, Wilson airport, and Kisumu airport.

3. Rehabilitation and reconfiguration of terminal buildings at Kisumu and Wilson airports, and rehabilitation and extension of the runway at Kisumu airport.

4. Enhancing aviation security and safety, flight information system, search and rescue capacity, communications, and emergency operations centers at Jomo Kenyatta international airport, Moi international airport, Wilson airport, and Kisumu airport.

5. Capacity building for staff in airports operations, security and management.

**Part G: Support to Kenya Civil Aviation Authority**

1. Development and implementation of reforms at KCAA aimed at enhancing aviation safety and security oversight, and safety inspection through provision of technical advisory services and training.

2. Provision of support to KCAA and EASA through acquisition of training and operations equipment.

3. Provision of technical advisory services to use the global navigation satellite system and global positioning system to prepare approach navigation charts for selected airports.

4. Carrying out of training of trainers in airworthiness inspection, flight operations inspection, personnel licensing and security oversight.
Part H: Support to the Ministry of Transport

1. Building the capacity of MOT in procurement, project management, financial management; implementation of the national transportation policy and maritime law; and compliance with conventions of the International Maritime Organization.

2. Strengthening the capacity of the Kenya Maritime Authority through provision of technical advisory services, training, and acquisition of equipment.

3. Assisting the Recipient to comply with the Northern Corridor Transit Agreement through training and technical advisory services.

4. Provision of support to Bandari College, through provision of technical advisory services, training, and acquisition of equipment.
SCHEDULE 2

Project Execution

Section I

A. Institutional Arrangements

1. The Recipient shall maintain at all times during the implementation of the Project, a Project Oversight Committee which shall be chaired by the Permanent Secretary of MOR, co-chaired by the Permanent Secretary of MOT, and include a representative from the Ministry of Finance, the Managing Director of KAA, the Director General of KCAA, Director General of KeNHA and the Chief Engineer of Roads in the MOR.

2. The Project Oversight Committee shall: (a) provide strategic guidance for Project implementation; (b) review and approve annual work plans for the Project; and (c) review project financial reports.

3. The Recipient shall maintain at all times during the implementation of the Project, a Project Coordination Team which shall be chaired by the team leader of MOR-PTT and co-chaired by the team leader of MOT-PTT and include the team leaders of KAA-PTT and KCAA-PTT and which shall be responsible for the overall Project coordination and reporting.

B. Project Administration and Management

1. The Recipient shall maintain at all times during the implementation of the Project, a MOR-PTT to oversee the day-to-day implementation of Parts A to E of the Project, and appoint thereto, staff having qualifications and experience satisfactory to the Association, including a team leader, a pavement/materials specialist, a construction specialist, an economist/social development specialist, a design engineer, an environmental specialist, a procurement specialist and a financial management specialist.

2. Notwithstanding its overall reporting obligations to the Project Oversight Committee, MOR-PTT shall report on its day-to-day operations directly, in consultation with the Chief Engineer “Roads” of MOR with regard to technical matters, to the Permanent Secretary of MOR. The Recipient shall ensure that any significant change in the arrangements for Project administration and management necessitated after the establishment of KeNHA, shall be subject to review and approval by the Association.

3. The Recipient shall cause KAA to maintain at all times during the implementation of the Project, a KAA-PTT to oversee the day-to-day implementation of Part F of the Project, and appoint thereto, staff having
qualifications and experience satisfactory to the Association, including a team leader, a construction engineer, an electrical engineer, airport operations specialist, an architectural specialist, an airport security specialist, a procurement specialist and a financial management specialist.

4. Notwithstanding its overall reporting obligations to the Project Oversight Committee, KAA-PTT shall report on its day-to-day operations directly to the Managing Director of KAA.

5. The Recipient shall cause KCAA to maintain at all times during the implementation of the Project, a KCAA-PTT to oversee the day-to-day implementation of Part G of the Project, and appoint thereto, staff having qualifications and experience satisfactory to the Association, including a team leader, the principal of EASA, a procurement specialist and a financial management specialist.

6. Notwithstanding its overall reporting obligations to the Project Oversight Committee, KCAA-PTT shall report on its day-to-day operations directly to the Director General of KCAA.

7. The Recipient shall maintain at all times during the implementation of the Project, a MOT-PTT to oversee the day-to-day implementation of Part H of the Project, and appoint thereto, staff having qualifications and experience satisfactory to the Association, including a team leader, and procurement and financial management specialists.

8. Notwithstanding its overall reporting obligations to the Project Oversight Committee, MOT-PTT shall report on its day-to-day operations directly to the Permanent Secretary of MOT.

9. The Recipient shall cause KCAA to appoint and thereafter retain at all times during the implementation of the Project, staff with adequate experience and qualifications satisfactory to the Association to manage and operate KCAA’s office of aviation security oversight.

10. To promote effective project implementation, the Recipient shall take all measures necessary to: (a) appoint the Director General of KeNHA and make KeNHA operational no later than December 31, 2008; and (b) establish NCA no later than March 31, 2010.

C. Subsidiary Loan Agreements

1. To facilitate the carrying out of the Project Implementing Entities’ Respective Parts of the Project, the Recipient shall make part of the proceeds of the Financing available to each of the Project Implementing Entities allocated to
them from time to time under categories 1(b), 2(b)(i), 2 (b)(ii), 3 (b)(i), 3 (b)(ii),
4 (b)(i) and 4(b)(ii) under Subsidiary Loan Agreements between the Recipient
and the Project Implementing Entities, under terms and conditions approved by
the Association, which shall include the following:

(a) with respect to KAA, (“KAA Subsidiary Loan Agreement”), the
terms and conditions which shall have been approved by the
Association shall include: (i) repayment of principal in 23
years including a grace period of 8 years; (ii) the payment of interest at
the rate of 5% per annum effective September 1, 2008; and (iii)
the foreign exchange risk to be borne by the Recipient; and

(b) with respect to KCAA (“KCAA Subsidiary Loan Agreement”),
the terms and conditions which shall have been approved by the
Association shall include: (i) repayment of the principal in 23
years including a grace period of 8 years; (ii) the payment of
interest at the rate of 5% per annum; effective September 1, 2008
and (iii) the foreign exchange risk to be borne by the Recipient.

2. The Recipient shall exercise its rights under each of the Subsidiary Loan
Agreement in such manner as to protect the interests of the Recipient and the
Association and to accomplish the purposes of the Financing. Except as the
Association shall otherwise agree, the Recipient shall not assign, amend,
abrogate or waive the Subsidiary Loan Agreements or their provisions.

D. Environmental and Social Safeguards

1. The Recipient shall implement the mitigation measures recommended in each
EIA for relevant subcomponents in a manner designed to ensure that the Project
is implemented in accordance with sound environmental and social practices and
standards, satisfactory to the Association. For purposes of Parts A, C and F of the
Project, the Recipient shall prior to the approval of bid documents, prepare and
submit or cause to be prepared and be submitted to the Association:

(a) an Environmental Impact Assessment (EIA), acceptable to the
Association, giving details of the social and environmental status, and
potential environmental risks and adverse impacts, which are specific to
Parts A, C and F of the Project, along with proposed mitigation
measures; and

(b) wherever applicable, a Resettlement Action Plan (RAP), acceptable to
the Association, giving details of measures consistent with the RPF, and
designed to facilitate the compensation and resettlement of PAPs,
including the magnitude of displacement, proposed compensation and
resettlement arrangements, and budget and cost estimates, together with
adequate institutional, monitoring and reporting arrangements capable of ensuring proper implementation of, and regular feedback on compliance with, the RAP.

2. The Recipient shall implement: (a) the applicable RAP in accordance with the guidelines, timetable, and other specifications set forth in the RAP; and (b) the mitigation measures specified in the EIA in accordance with the guidelines, timetable, and other specifications set forth in the EIA.

3. Without limitation upon the Recipient’s other reporting obligations under Section II below, the Recipient shall submit quarterly consolidated reports on compliance with the social and environmental safeguards under the Project, giving details of measures taken in furtherance of the RAP and the mitigation measures specified in the EIA, conditions, if any, which interfere or threaten implementation of the RAP or the mitigation measures specified in the EIA, and remedial measures taken or required to be taken to address such conditions.

E. Anti-Corruption

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

2. Without limitation upon the foregoing:

   (a) The Recipient hereby agrees that in furtherance of paragraph 9 of the Anti-Corruption Guidelines, it shall ensure that each Large Works Contracts to be financed under the Additional Credit (other than a contract that has been awarded prior to March 31, 2009, or a contract that has been or is to be financed in whole or in part out of the proceeds of the Original Credit) ("Additional Contract") contains a provision giving it the right to terminate such Additional Contract ("Termination Right") at any time, if the contractor, or in the case of a joint venture any member, to which such contract has been awarded (each a "Contractor") is debarred (as hereinafter defined) by the Association or the Bank.

   (b) If the Recipient fails to exercise its Termination Right under an Additional Contract upon notice by the Association that the Contractor to such Additional Contract has been debarred, then the Association may, by notice to the Recipient, terminate the right of the Recipient to make withdrawals with respect to the amount of the Additional Credit remaining unwithdrawn and allocated to finance such Additional Contract. Upon the giving of such notice, the Association may, at its discretion, cancel such
remaining unwithdrawn amount or reallocate all or part of such amount to finance other Eligible Expenditures under the Project.

(c) Prior to exercising its rights in paragraph (b) above, the Association shall exchange views with the Recipient.

(d) The Recipient shall indemnify and hold the Association harmless from and against any losses, costs, expenses, claims, damages or liability, or any suit, action or proceeding in respect thereof, that the Association may suffer, pay, incur or become subject to as a result of any suit, action, proceeding or claim resulting from the Recipient’s early termination of an Additional Contract.

(e) For purposes of this Section, (i) a Contractor who is "debarred" means a Contractor who, at the time of the notice thereof provided by the Association to the Recipient, has been declared (and remains) ineligible to receive the proceeds of any financing provided by the Association or loan provided by the Bank or otherwise to participate in the preparation or implementation of any project financed, in whole or in part, by the Association or the Bank, as a result of a determination by the Association or the Bank pursuant to paragraph 1.14 (d) of the Procurement Guidelines, paragraph 1.22 (d) of the Consultant Guidelines, or paragraph 11 of the Anti-Corruption Guidelines, that such Contractor, directly or through an agent, has engaged in corrupt, fraudulent, collusive, coercive or obstructive practices in connection with the use of the proceeds of any financing whatsoever provided by the Association or loan provided by the Bank to any entity whatsoever (including, without limitation, competing for, or in executing, a contract financed by the Association or the Bank out of the proceeds of any such financing or loan); and whether or not such determination is related to this Project or the territory of the Recipient and irrespective of whether or not such ineligibility relates only to future contracts not yet awarded to or signed by the Contractor; and (ii) “Large Works Contracts” means contracts estimated to cost the equivalent of US$ 10,000,000 or more.
Section II.  Project Monitoring, Reporting and Evaluation

A.  Project Reports

1. The Recipient shall monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 4.08 of the General Conditions and on the basis of the indicators set forth below in paragraph 2 of this Part A. Each Project Report shall cover the period of one calendar semester, and shall be furnished to the Association not later than one month after the end of the period covered by such report.

2. The performance indicators referred to above in paragraph 1 consist of the following:

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<table>
<thead>
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<tbody>
<tr>
<td>(a)</td>
<td>Travel time by road from Mombasa to Malaba and Busia reduced by 25%.</td>
</tr>
<tr>
<td>(b)</td>
<td>KCAA is cleared as category 1 safety status under the international aviation safety assessment of the United States Federal Aviation Administration.</td>
</tr>
<tr>
<td>(c)</td>
<td>Jomo Kenyatta international airport in Nairobi is cleared by the United States Transportation Security Agency for direct flights to and from United States airports.</td>
</tr>
<tr>
<td>(d)</td>
<td>One long term performance based road management and maintenance contract is awarded to the private sector and is effectively under implementation.</td>
</tr>
<tr>
<td>(e)</td>
<td>One road segment along the Northern Corridor is offered for concession to the private sector.</td>
</tr>
<tr>
<td>(f)</td>
<td>Vital public infrastructure and assets destroyed or damaged during the post-election crisis are restored and functional again.</td>
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</tbody>
</table>

B.  Financial Management, Financial Reports and Audits

1. The Recipient shall maintain or cause to be maintained a financial management system in accordance with the provisions of Section 4.09 of the General Conditions.

2. Without limitation on the provisions of Part A of this Section, the Recipient shall prepare and furnish to the Association as part of the Project Report not later than 45 days after the end of each calendar quarter, interim un-audited financial
reports for the Project covering the quarter, in form and substance satisfactory to
the Association.

3. The Recipient shall have its Financial Statements audited in accordance with the
provisions of Section 4.09 (b) of the General Conditions. Each audit of the
Financial Statements shall cover the period of one fiscal year of the Recipient,
commencing with the fiscal year in which the first withdrawal under the Project
Preparation Advances was made. The audited Financial Statements for each such
period shall be furnished to the Association not later than six months after the
end of such period.

Section III. Procurement

A. General

1. Goods and Works. All goods and works required for the Project and to be
financed out of the proceeds of the Financing shall be procured in accordance
with the requirements set forth or referred to in Section I of the Procurement
Guidelines, and with the provisions of this Section.

2. Consultants’ Services. All consultants’ services required for the Project and to
be financed out of the proceeds of the Financing shall be procured in accordance
with the requirements set forth or referred to in Sections I and IV of the
Consultant Guidelines, and with the provisions of this Section.

3. Definitions. The capitalized terms used below in this Section to describe
particular procurement methods or methods of review by the Association of
particular contracts, refer to the corresponding method described in the
Procurement Guidelines, or Consultant Guidelines, as the case may be.

B. Particular Methods of Procurement of Goods and Works

1. International Competitive Bidding. Except as otherwise provided in
paragraph 2 below, goods and works shall be procured under contracts awarded
on the basis of International Competitive Bidding.

The provisions of paragraphs 2.55 and 2.56 of the Guidelines (Domestic
Preference) and Appendix 2 thereto shall apply to goods manufactured in the
territory of the Recipient and works to be carried out by domestic contractors.

2. Other Methods of Procurement of Goods and Works. The following table
specifies the methods of procurement, other than International Competitive
Bidding, which may be used for goods and works. The Procurement Plan shall
specify the circumstances under which such methods may be used:
## Procurement Method

<table>
<thead>
<tr>
<th>Method</th>
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</thead>
<tbody>
<tr>
<td>(a) Limited International Bidding</td>
</tr>
<tr>
<td>(b) National Competitive Bidding*</td>
</tr>
<tr>
<td>(c) Shopping</td>
</tr>
<tr>
<td>(d) Direct Contracting</td>
</tr>
</tbody>
</table>

(*) Subject to the following provisions of the Recipient’s Public Procurement and Disposal Act, 2005 (no. 3 of 2005) (herein referred to as the “PPDA”), and its Public Procurement Disposal Regulations, 2006 (herein referred to as the “Regulations”) which are not fully consistent with the Procurement Guidelines and the Consultants Guidelines, and therefore may not be applied for the implementation of the Project.

(i) PPDA 55(2): instead, the tender submission date shall be set so as to allow a period of at least 30 days or the later of (A) the date of advertisement, and (B) the date of availability of the tender documents.

(ii) PPDA 4(2)(c): instead, Recipient’s Government-owned enterprises shall be allowed to participate in the tendering only if they can establish that they are legally and financially autonomous, operate under commercial law and are an independent agency of the Recipient’s Government.

(iii) the Recipient shall use, or cause to be used, bidding documents and tender documents (containing, *inter alia*, draft contracts and conditions of contracts, including provisions on fraud and corruption, audit and publication of award) in form and substance satisfactory to the Association.

(iv) PPDA 61(4): instead, extension of tender validity shall be allowed once only, and for not more than thirty (30) days, unless otherwise previously agreed in writing by the Association.

(v) PPDA 66(3)(b): instead, evaluation tender shall be based on quantifiable criteria expressed in monetary terms as defined in the tender documents. It shall not be based on a merit points system.

(vi) PPDA 39: instead, no domestic preference shall be used in the evaluation of tenders.

Therefore, as a result of the non application of PPDA 66(3)(b) and 39, contracts shall be awarded to qualified tenderers having submitted the lowest evaluated substantially responsive tender.

(vii) PPDA 67: instead, notification of contract award shall constitute formation of the contract. No negotiation shall be carried out prior to contract award.
(viii) PPDA 91: instead, Shopping procedure will apply for each low value contracts, in lieu of Direct Procurement, except as otherwise previously agreed in writing by the Association.

(ix) Regulations 47: instead, the two envelope bid opening procedure shall not apply.

C. Particular Methods of Procurement of Consultants’ Services

1. Quality- and Cost-based Selection. Except as otherwise provided in paragraph 2 below, consultants’ services shall be procured under contracts awarded on the basis of Quality- and Cost-based Selection.

2. Other Methods of Procurement of Consultants’ Services. The following methods of procurement, other than Quality- and Cost-based Selection, may be used for consultants’ services. The Procurement Plan shall specify the circumstances under which such methods may be used.

<table>
<thead>
<tr>
<th>Procurement Method</th>
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<tbody>
<tr>
<td>(a) Selection under Fixed Budget</td>
</tr>
<tr>
<td>(b) Consultants Qualifications</td>
</tr>
<tr>
<td>(c) Least-cost Selection</td>
</tr>
<tr>
<td>(d) Single-source Selection</td>
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<tr>
<td>(e) Procedures set forth in paragraphs 5.2 and 5.3 of the Consultant Guidelines for the Selection of Individual Consultants.</td>
</tr>
</tbody>
</table>

D. Review by the Association of Procurement Decisions

The Procurement Plan shall set forth those contracts which shall be subject to the Association’s Prior Review. All other contracts shall be subject to Post Review by the Association.

Section IV. Withdrawal of the Proceeds of the Financing

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 shall 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 Association 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 Financing, the allocations of the amounts of the Financing to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category:

<table>
<thead>
<tr>
<th>Category</th>
<th>Amended and Restated Original Credit (Expressed in SDR)</th>
<th>Additional Credit (Expressed in SDR)</th>
<th>Percentage of Expenditures to be Financed (inclusive of Taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>1. Works</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(a) Under Parts A through E of the Project</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>(b) under Part F of the Project</td>
<td>9,360,000</td>
<td>0</td>
<td>19%</td>
</tr>
<tr>
<td>(c) under Parts A through E of the Project, except A(2)</td>
<td>89,640,000</td>
<td>131,500,000</td>
<td>67%</td>
</tr>
<tr>
<td>(d) Under Part A(2)</td>
<td></td>
<td>11,100,000</td>
<td>100%</td>
</tr>
<tr>
<td><strong>2. Goods, Equipment and Vehicles</strong></td>
<td></td>
<td></td>
<td>100% foreign expenditures and 90% of local expenditures</td>
</tr>
<tr>
<td>(a) Under Parts A through E of the Project</td>
<td>0</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>(b) (i) under Part F of the Project</td>
<td>8,190,000</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>(ii) under Part G of the Project</td>
<td>2,550,000</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>(iii) under Part H of the Project</td>
<td>500,000</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>(c) Under Parts A through E of the Project, except A(3)</td>
<td>450,000</td>
<td>7,900,000</td>
<td></td>
</tr>
<tr>
<td>(d) Under Part A(3) of the Project</td>
<td>0</td>
<td>1,600,000</td>
<td>100%</td>
</tr>
<tr>
<td><strong>3. Consultants’ Services including audits</strong></td>
<td></td>
<td></td>
<td>100% foreign expenditures and 94% of local expenditures</td>
</tr>
<tr>
<td>(a) under Parts A through E of the Project</td>
<td>0</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>(b) (i) Under Part F of the</td>
<td>5,120,000</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>Category</td>
<td>Amended and Restated Original Credit (Expressed in SDR)</td>
<td>Additional Credit (Expressed in SDR)</td>
<td>Percentage of Expenditures to be Financed (inclusive of Taxes)</td>
</tr>
<tr>
<td>-------------------------------------------------------------------------</td>
<td>--------------------------------------------------------</td>
<td>--------------------------------------</td>
<td>---------------------------------------------------------------</td>
</tr>
<tr>
<td>Project</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(ii) Under Part G of the Project</td>
<td>3,700,000</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>(iii) under Part H of the Project</td>
<td>350,000</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>(c) under Parts A through E of the Project, except Part A(2)</td>
<td>16,200,000</td>
<td>11,200,000</td>
<td></td>
</tr>
<tr>
<td>(d) under Part A(2) of the project</td>
<td></td>
<td>1,400,000</td>
<td>100%</td>
</tr>
<tr>
<td><strong>4. Training</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(a) under Parts A through E of the Project</td>
<td>650,000</td>
<td>0</td>
<td>100%</td>
</tr>
<tr>
<td>(b) (i) under Part F of the Project</td>
<td>580,000</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>(ii) under Part G of the Project</td>
<td>500,000</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>(iii) under Part H of the Project</td>
<td>650,000</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td><strong>Unallocated</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(a) under Parts A through E of the Project</td>
<td>0</td>
<td>7,300,000</td>
<td></td>
</tr>
<tr>
<td>(b) (i) under Part F of the Project</td>
<td>0</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>(ii) under Part G of the Project</td>
<td>0</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>(iii) under Part H of the Project</td>
<td>0</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>138,440,000</strong></td>
<td><strong>172,000,000</strong></td>
<td></td>
</tr>
</tbody>
</table>

3. For purposes of this Schedule, for Categories 1(a), 2(a) and 3(a) in the table in Schedule 1 of the Original Development Credit Agreement, the related expenditures and allocated financing are reflected in Categories 1(c), 2(c) and 3(c) respectively.
B. Withdrawal Period

1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made for payments made prior to the date of this Agreement except that with respect to the Additional Credit, withdrawals up to an aggregate amount not to exceed the equivalent of SDR 4,900,000 may be made for payments made prior to this date but on or after April 30, 2008 for Eligible Expenditures under Categories 1(d), 2(d) and 3(d) to this Agreement.

2. The Closing Date is December 31, 2012.
SCHEDULE 3

Repayment Schedule

I. Repayment of the Original Credit

<table>
<thead>
<tr>
<th>Date Payment Due</th>
<th>Principal Amount of the Original Credit repayable (expressed as a percentage)*</th>
</tr>
</thead>
<tbody>
<tr>
<td>On each May 15 and November 15:</td>
<td></td>
</tr>
<tr>
<td>commencing November 15, 2014 to and including May 15, 2024</td>
<td>1%</td>
</tr>
<tr>
<td>commencing November 15, 2024 to and including May 15, 2044</td>
<td>2%</td>
</tr>
</tbody>
</table>

II. Repayment of the Additional Credit

<table>
<thead>
<tr>
<th>Date Payment Due</th>
<th>Principal Amount of the Additional Credit repayable (expressed as a percentage)*</th>
</tr>
</thead>
<tbody>
<tr>
<td>On each May 15 and November 15:</td>
<td></td>
</tr>
<tr>
<td>commencing May 15, 2019 to and including November 15, 2028</td>
<td>1%</td>
</tr>
<tr>
<td>commencing May 15, 2029 to and including November 15, 2048</td>
<td>2%</td>
</tr>
</tbody>
</table>
APPENDIX

Section I. Definitions

1. “Additional Credit” means the additional financing in various currencies equivalent to a hundred and sixty-nine million, five hundred thousand Special Drawing Rights (SDR 169,500,000) provided to the Recipient, on the terms and conditions set forth or referred to in this Agreement.


3. “Bandari College” is the training institute established and operating within MOT “as hereinafter defined”.

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


6. “Department of Government Investments and Public Enterprises” or “DGIPE” means a department within the Ministry of Finance responsible for government investments and privatization.

7. “Environmental Impact Assessment” or “EIA” means the Environmental Impact Assessment referred to in paragraph D.1 of Schedule 2 to this Agreement.

8. “EASA” means East African School of Aviation, established and operating within KCAA (as hereinafter defined).

9. “Engineers Registration Board” means the Board established under the Engineers Registration Act (CAP 530) and referred to in paragraph D.5 of Schedule 1 to this Agreement for the professional oversight of the engineering profession.

10. “External Resources Department” or “ERD” means a department within the Ministry of Finance responsible for mobilizing external financing.

11. “Financial Monitoring Report” or “FMR” means each report prepared in accordance with Section 4.02 of this Agreement.

12. “General Conditions” means the “International Development Association General Conditions for Credits and Grants”, dated July 1, 2005 (as amended
through October 15, 2006), with the modifications set forth in Section II of this Appendix.


14. “Institution of Engineers of Kenya” means an institution set up by the Recipient for the purpose of promoting the general advancement of science and practice of Engineering in Kenya and referred to in paragraph D.7 of Schedule 1 to this Agreement.

15. “International Maritime Organization” or “IMO” means a United Nations specialized agency set up for the purpose of developing treaties and other mechanisms for maritime safety, environmental protection and other related measures.

16. “KAA” means Kenya Airports Authority, the Recipient’s airports authority established and operating pursuant to the Recipient’s Airports Authority Act, 1991 (CAP 395) or its legal successor thereto.

17. “KAA-PTT” means the Project Technical Team established within KAA and referred to in paragraph B.3, Section 1 of Schedule 2 to this Agreement.

18. “KAA Subsidiary Loan Agreement” means the agreement entered into between the Recipient and KAA pursuant to Section C.1(a) of Schedule 2 to this Agreement, as the same may be amended from time to time, and such term includes all schedules to the Subsidiary Loan Agreement.

19. “KCAA” means Kenya Civil Aviation Authority, the Recipient’s civil aviation authority established and operating pursuant to the Recipient’s Civil Aviation (Amendment) Act, 2002 (CAP 394) or its legal successor thereto.

20. “KCAA-PTT” means the Project Technical Team established within KCAA and referred to in paragraph B.5, Section 1 of Schedule 2 to this Agreement.

21. “KCAA Subsidiary Loan Agreement” means the agreement entered into between the Recipient and KCAA pursuant to Section C1 (b) of Schedule 2 to this Agreement, as the same may be amended from time to time, and such term includes all schedules to the Subsidiary Loan Agreement.

22. “KeNHA” means the Kenya National Highways Authority set up by the Recipient pursuant to the Kenya Roads Act, 2007, for the purpose of managing, developing, rehabilitating and maintaining national roads in Kenya, or its legal successor thereto.
23. “Kenya Institute of Highways and Building Technology” or “KIHBT” means a department within MOR set up by the Recipient for the purpose of training artisans, and road overseers on highways and building technologies.

24. “Kenya Maritime Authority” means a state corporation established pursuant to the Recipient’s incorporation order of 2004 and operating under the Kenya Maritime Act of 2006 and the Merchants Shipping Act, 1967 to regulate, coordinate and oversee activities in the maritime industry in the Recipient’s territory, or its legal successor thereto.

25. “Kenya Shilling” or “KES” means the currency of the Recipient.

26. “KeRRA” means the Kenya Rural Roads Authority a body established and operating pursuant to the Kenya Roads Act, 2007, for the purpose of the management, development, rehabilitation and maintenance of rural roads in Kenya, or its legal successor thereto.

27. “KRB” means Kenya Roads Board, a body established and operating pursuant to the Roads Board Act, 1999 for the purpose of managing the road maintenance levy, or its legal successor thereto.

28. “KURA” means the Kenya Urban Roads Authority established and operating pursuant to the Kenya Roads Act, 2007, for the purpose of the managing, developing, rehabilitating and maintaining urban roads in Kenya, or its legal successor thereto.

29. “Materials Research and Development Department” means a department with MOR set up by the Recipient for the purpose of testing construction materials, quality control and conducting research in construction technology.

30. “Mechanical and Transport Department” or “MTD” means a department within MOR set up by the Recipient for the purpose of managing mechanical workshops, and defining standards and specifications for construction equipment and government transport.


32. “MOR-PTT” means the Project Technical Team established within MOR and referred to in paragraph B.1, Section 1 of Schedule 2 to this Agreement or its legal successor thereto.

33. “MOT” means the Recipient’s Ministry of Transport.

34. “MOT-PTT” means the Project Technical Team established within MOT and referred to in paragraph B.7, Section 1 of Schedule 2 to this Agreement.
35. “NCA” means the National Construction Authority to be established by the Recipient under Part E.6 of the Project for the purpose of overseeing the construction industry.

36. “Northern Corridor” means the transport corridor between the seaport of Mombasa and the Recipient’s border with the Republic of Uganda.


38. “Original Development Credit Agreement” means the development credit agreement for the Northern Corridor Transport Improvement Project between the Recipient and the Association, dated June 25, 2004 as amended to date, Credit No. 3930 –KE.


40. “Procurement Plan” means the Recipient’s procurement plan for the Project, dated May 15, 2008 and referred to in paragraph 1.16 of the Procurement Guidelines and paragraph 1.24 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.

41. “Project Agreements” means the agreements between the Association and KAA and KCAA of even date herewith, as the same may be amended from time to time, and such term includes all schedules and agreements supplemental to the Project Agreement.

42. “Project Affected Person” or “PAP” means any person who owns or occupies land, property or other assets or structures which are adversely affected by the Project, or whose livelihood, business, trade or other occupation is adversely affected as a result of the Project, and who is declared accordingly eligible to compensation or other assistance under the relevant RAP (as hereinafter defined).

43. “Project Coordination Team” means the team established by the Recipient and referred to in paragraph A.3, Section 1 of Schedule 2 to this Agreement.

44. “Project Implementing Entities” means KCAA and KAA.

45. “Project Oversight Committee” means the committee established by the Recipient and referred to in paragraph A.2, Section I of Schedule 2 to this Agreement.
46. “Resettlement Action Plan” or "RAP" means a plan issued by the Recipient to address involuntary resettlement, land acquisition and loss of livelihood and referred to in paragraph D.1 (b), Section 1 of Schedule 2 to this Agreement.

47. "Resettlement Policy Framework" or "RPF" means an instrument, dated November 2003 issued by the Recipient, and describing a program of actions, measures and policies designed to avoid or minimize any adverse impact or hardship to PAPs as a result of the Project or, if such adverse impact or hardship cannot be avoided altogether, provide for the compensation and resettlement of such PAPs as may be appropriate.

48. “United States Federal Aviation Administration”, means a US agency set up pursuant to the Federal Aviation Act of 1958 for the purpose of regulating civil aviation to promote safety, including developing civil aeronautics, air traffic control and navigation for both civil and military aircraft; researching and developing the National Airspace System and civil aeronautics; developing and carrying out programs to control aircraft noise and other environmental effects of civil aviation and regulating U.S. commercial space transportation.

49. “United States Transportation Security Administration” means a department within the United States Homeland Security responsible for the security of the nation's transportation systems.
Section II. Modifications to the General Conditions

The modifications to the General Conditions for Credits and Grants of the Association, dated July 1, 2005 (as amended through October 15, 2006) are as follows:

Section 3.01 (b) of the General Conditions is modified to read as follows

“(b) The Commitment Charge shall accrue from a date sixty days after: (i) the date of the Development Credit Agreement with respect to the unwithdrawn balance of the Initial Credit; and (ii) the date of the Financing Agreement with respect to the unwithdrawn balance of the Additional Credit, to the respective dates on which amounts are withdrawn by the Recipient from the Financing Account or cancelled. The Commitment Charge shall accrue at the rate set as of the June 30 immediately preceding the accrual date and at such other rate as may be set from time to time thereafter pursuant to this Section. The rate set as of June 30 in each year shall be applied from the next Payment Date in that year. The Commitment Charge shall be payable semi-annually in arrears on each Payment Date. The Commitment Charge shall be computed on the basis of a 360-day year of twelve 30-day months.”