FINANCING AGREEMENT
(Off-grid Solar Access Project for Underserved Counties)

between

REPUBLIC OF KENYA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated 05 SEPTEMBER, 2017
FINANCING AGREEMENT

AGREEMENT dated __________________, 2017, entered into between REPUBLIC OF KENYA (“Recipient”) and INTERNATIONAL DEVELOPMENT ASSOCIATION (“Association”). The Recipient and the Association hereby agree 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 the amount of one hundred thirty-three million eight hundred thousand Euro (EUR 133,800,000) (variously, “Credit” and “Financing”), 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 The Service Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to three-fourths of one percent (3/4 of 1%) per annum.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 The Interest Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to zero point seven one of one percent (0.71 of 1%) per annum.

2.06. The Payment Dates are May 15 and November 15 in each year.

2.07. The principal amount of the Credit shall be repaid in accordance with the repayment schedule set forth in Schedule 3 to this Agreement.

2.08. The Payment Currency is Euro.
ARTICLE III — PROJECT

3.01. The Recipient declares its commitment to the objective of the Project. To this end, the Recipient shall carry out the Parts 2 and 4 of the Project through its Ministry of Energy and Petroleum ("MOEP"); and cause Parts 1 and 3(a) of the Project to be carried out by Kenya Power Lighting and Company Limited ("KPLC") and Parts 1, 3(b) and (c) of the Project to be carried out by Rural Electrification Authority ("REA") in accordance with the provisions of Article IV of the General Conditions and the respective Project Agreement.

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.

ARTICLE IV — REMEDIES OF THE ASSOCIATION

4.01. The Additional Event of Suspension consists of the following, namely that, the KPLC Legislation and the REA Legislation have been amended, suspended, abrogated, repealed or waived so as to materially and adversely affect the ability of any of the Project Implementing Entities to perform any of their obligations under this Agreement or their respective Project Agreements, or to achieve the objectives of the Project.

ARTICLE V — EFFECTIVENESS; TERMINATION

5.01. The Additional Conditions of Effectiveness consist of the following:

(a) The Subsidiary Agreements have been executed on behalf of the Recipient and the respective Project Implementing Entity.

(b) The Project Implementation Manual has been prepared and adopted by the Recipient in accordance with Section I.D of Schedule 2 to this Agreement.

5.02. The Additional Legal Matter consists of the following, namely that, the Subsidiary Agreements have been duly authorized or ratified by the Recipient and the respective Project Implementing Entity and are legally binding upon the Recipient and the respective Project Implementing Entity in accordance with their respective terms.

5.03. The Effectiveness Deadline is the date ninety (90) days after the date of this Agreement.

5.04. For purposes of Section 8.05 (b) of the General Conditions, the date on which the obligations of the Recipient under this Agreement (other than those providing for
payment obligations) shall terminate is twenty (20) years after the date of this Agreement.

ARTICLE VI — REPRESENTATIVE; ADDRESSES

6.01. The Recipient’s Representative is its Cabinet Secretary for Treasury.

6.02. The Recipient’s Address is:

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

Facsimile:

254 20 330426; 254 20 218475

6.03. The Association’s Address is:

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

Telex: Facsimile:

248423 (MCI) 1-202-477-6391
AGREED at Nairobi, Republic of Kenya, as of the day and year first above written.

REPUBLIC OF KENYA

By

[Signature]

Authorized Representative

Name: Henry Rotich

cabinet secretary

Title: National Treasury

INTERNATIONAL DEVELOPMENT ASSOCIATION

By

[Signature]

Authorized Representative

Name: Dianelou Gave

Title: Country Director
SCHEDULE 1

Project Description

The objective of the Project is to increase access to modern energy services in the Recipient’s Underserved Counties.

The Project consists of the following parts:

Part 1: Mini-grids for Community Facilities, Enterprises, and Households

(a) Development, construction, operation and maintenance of mini-grids and electricity distribution network, including provision of electricity supply services.

(b) Construction of the distribution network and connecting community facilities, enterprises and households to electricity supply.

(c) Provision of subsidies for connecting consumers to electricity supply.

Part 2: Standalone Solar Systems and Clean Cooking Solutions for Households

(a) Carrying out a program of activities designed to incentivize Solar Service Providers (“SSPs”) to supply standalone solar systems to markets in Underserved Counties, and increase off-grid electricity connections for households in Underserved Counties, through the provision of Sub-financing under:

(i) the Results Based Financing Facility (“RBF Facility”), to finance, inter alia, costs associated with such SSPs expansion of operations in Underserved Counties and connections of households to off-grid electricity supply (“SSP Facility Sub-projects”); and

(ii) the Debt Facility, to provide, inter alia, debt financing to support such SSPs’ upfront costs associated with getting solar system hardware inventory into the market in Underserved Counties for resell to households (“Debt Facility Sub-projects”).

(b) Carrying out a program of activities designed to incentivize Clean Cooking Solutions Providers (“CCSPs”) to supply clean cooking equipment to markets in Underserved Counties, through the provision of Sub-financing to CCSPs under the RBF Facility to finance, inter alia, costs associated with purchase of selected higher quality stoves and fuels, and transportation to the Underserved Counties for resale to households (“CCSP Facility Sub-projects”).
Part 3: Standalone Solar Systems and Solar Water Pumps for Community Facilities

(a) Provision of electricity to selected community facilities in the Underserved Counties through the supply, installation, operation and maintenance of stand-alone solar systems to community facilities.

(b) Supply, installation, operation and maintenance of solar pumping equipment on new and/or existing boreholes associated with community facilities.

(c) Establishment and operation of a payment risk mechanism which will finance the monthly payments to private contractors for operations and maintenance services of the solar system equipment financed under this Part of the Project.

Part 4: Implementation Support and Capacity Building

(a) Consumer Education and Citizen Engagement

Carrying out a program of activities designed to support consumer education and citizen engagement among Project beneficiaries, including undertaking an awareness campaign on technologies and products financed under the Project and eligibility requirements.

(b) Implementation Support and Capacity Building

Carrying out a program of activities designed to strengthen the capacity of the Recipient for Project management, implementation and coordination, monitoring and evaluation, including: (i) financing the fees for managing and operating the RBF Facility and Debt Facility, including costs for verification of connections financed under Part 2 of the Project; (ii) provision of technical assistance and undertaking studies to support and inform the activities under the Project; (iii) establishing a strategic planning and program management unit within MOEP, including financing of operational costs for the said unit; (iv) provision of technical assistance for sector County capacity building; (v) establishment of a quality of service monitoring unit in the Energy Regulatory Commission; and (vi) capacity building of underserved Counties.
SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements

1. To ensure proper and effective implementation of the Project, the Recipient shall vest in:

(a) the Ministry of Energy and Petroleum ("MOEP") the responsibility for overall coordination of the Project and implementation of Parts 2 and 4 of the Project. To this end, the Recipient shall ensure that MOEP shall be responsible for, *inter alia*: (i) defining, jointly with the respective County Governments the Project areas; (ii) resolving, in consultation with the County Governments ("CGs") high level challenges facing the Project; (iii) monitoring the implementation of the Project in consultation of the CGs; and (iv) consolidating information from implementing agencies on progress of implementation and evaluating the Project;

(b) KPLC, the responsibility for implementation of Parts 1 and 3(a) of the Project; and

(c) REA, the responsibility for implementation of Parts 1 and 3(b) of the Project.

2. Project Steering Committee

To ensure proper and efficient oversight of the Project, the Recipient shall by not later than six (6) months from the Effective Date, establish and thereafter, maintain, throughout the Project implementation period, a Project steering committee, chaired by the Cabinet Secretary of the MOEP, with composition satisfactory to the Association, to be responsible for overall oversight and policy guidance to the Project.

3. Technical Working Group

The Recipient shall maintain, throughout the Project implementation period, the technical working group for the Project, with composition and terms of reference acceptable to the Association, to be responsible for providing guidance on the technical aspects of the Project.
4. **County Working Group**

To ensure proper and efficient implementation of the Project at County level, the Recipient shall by not later than six (6) months from the Effective Date, establish and thereafter maintain, throughout the Project implementation period, a County working group, for each respective County, with composition satisfactory to the Association, to be responsible for day to day oversight and of Project activities at County level.

5. **Project Coordination Unit**

To ensure proper and effective day to day implementation and management of the Project, the Recipient shall maintain, throughout the Project implementation period, a Project Coordination Unit ("PCU") within MOEP with terms of reference acceptable to the Association, to be responsible for: (a) overall management and implementation of the Project, including reporting; (b) defining, jointly with the respective County Governments, the Project areas; (c) resolving, in consultation with the County Governments, challenges requiring high level intervention facing the Project; (d) monitoring the implementation of the Project; and (e) consolidating information from implementing agencies on progress of implementation and evaluating the Project. To this end, the Recipient shall ensure that the PCU shall have adequate financial resources and staff in adequate numbers, including fiduciary and technical staff, all with qualifications and experience satisfactory to the Association.

B. **Subsidiary Agreement**

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 allocated from time to time to Category (1) of the table set forth in Section IV.A.2 of this Schedule available to the Project Implementing Entities, on non-reimbursable basis, under subsidiary agreements between the Recipient and the each of the Project Implementing Entity under terms and conditions approved by the Association ("Subsidiary Agreement").

2. The Recipient shall exercise its rights under each respective Subsidiary 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 respective Subsidiary Agreement or any of its provisions.

C. **Anti-Corruption**

The Recipient shall ensure that the Project is carried out in accordance with the provisions of the Anti-Corruption Guidelines.
D. **Project Implementation Manual and Facilities Implementation Manual**

The Recipient shall prepare and adopt, in form and substance acceptable to the Association, a Project Implementation Manual ("PIM") and a Facilities Implementation Manual ("FIM"), and thereafter ensure that the Project is carried out in accordance with the arrangements and procedures set out in the PIM and the FIM (provided, however, that in the event of any conflict between the arrangements and procedures set out in the PIM and FIM, 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 and FIM unless the Association has provided its prior no-objection thereof in writing.

E. **RBF Facility and Debt Facility under Part 2 of the Project**

1. To ensure effective and efficient implementation of Part 2 of the Project, the Recipient, through MOEP, shall hire, in accordance with Section III of this Schedule 2, a RBF Facility Manager and a Debt Facility Manager, with qualifications, experience and under terms of reference satisfactory to the Association, to be responsible for managing and implementing the RBF Facility and Debt Facility, respectively, under Part 2 of the Project.

2. The Recipient shall ensure that Sub-financing under the RBF Facility and Debt Facility shall be made to eligible SSPs and CCSPs who shall be selected in accordance with eligibility criteria and procedures acceptable to the Association and to be set out in the FIM, including the requirement that such eligible SSPs and CCSPs shall operate in the Underserved Counties.

3. The Recipient shall make each Sub-financing under a Sub-financing Agreement with the respective SSPs and CCSPs on terms and conditions approved by the Association and elaborated further in the FIM, including:

(a) the requirement that all solar equipment and clean stoves financed under Part 2 of the Project shall be supplied exclusively to the Underserved Counties for sale to the households in such Counties; and

(b) the requirement that the SSPs who shall obtain Sub-financing under the Debt Facility shall provide medium-term consumer financing to households that buy solar equipment from them on similar terms as those obtained by the SSPs from the Debt Facility.

4. The Recipient shall obtain rights adequate to protect its interests and those of the Association, including the right to: (a) suspend or terminate the right of the SSP and the CCSP to use the proceeds of the Sub-financing, or obtain a refund of all or any part of the amount of the Sub-financing then withdrawn, upon the SSP's and CCSP's failure to perform any of its obligations under the Sub-financing
Agreement; and (b) require each SSPs and CCSPs to: (i) carry out its Sub-project with due diligence and efficiency and in accordance with sound technical, economic, financial, managerial, environmental and social standards and practices satisfactory to the Association, including in accordance with the provisions of the Anti-Corruption Guidelines applicable to recipients of loan proceeds other than the Recipient; (ii) provide, promptly as needed, the resources required for the purpose; (iii) procure the goods, works and services to be financed out of the Sub-financing 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 Association, the progress of the Sub-project and the achievement of its objectives; (v) (A) 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, resources and expenditures related to the Sub-project; and (B) at the Association’s or the Recipient’s request, have such financial statements audited by independent auditors acceptable to the Association, in accordance with consistently applied auditing standards acceptable to the Association, and promptly furnish the statements as so audited to the Recipient and the Association; (vi) enable the Recipient and the Association to inspect the Sub-project, its operation and any relevant records and documents; and (vii) prepare and furnish to the Recipient and the Association all such information as the Recipient or the Association shall reasonably request relating to the foregoing.

5. The Recipient shall exercise its rights under each Sub-financing Agreement in such manner as to protect the interests of the Recipient and the Association and to accomplish the purposes of the Financing. The Recipient shall ensure that the provisions of the Sub-financing shall not be assigned, amended, abrogated or waived without the written agreement of the Association.

F. Safeguards

1. The Recipient shall ensure that the Project is implemented in accordance with the Safeguard Frameworks and the Safeguard Instruments. To that end, if any Project activities would, pursuant to the relevant Safeguard Framework, require the preparation of a Safeguard Instrument, the Recipient 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 Recipient shall not amend or waive any provision of the Safeguard Instruments.
2. The Recipient shall, in its Project Reports, report on progress made on compliance with the Safeguard Frameworks and Safeguards Instruments under the Project, giving details of measures taken in furtherance of the Safeguard Frameworks and Safeguards Instruments and any conditions which interfere or threaten to interfere with the timely implementation of the Safeguard Frameworks and Safeguards Instruments, and remedial measures taken or required to be taken to address such conditions.

3. The Recipient shall ensure that all advisory, analytical, planning, institutional capacity building, strategizing and such other services carried out under 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.

G. Annual Work Plans and Training

1. The Recipient shall:

   (a) prepare under terms of reference acceptable to the Association, and furnish to the Association, not later than January 31 of each year during the period of Project implementation, for the Association’s review and approval, an Annual Work Plan of activities (including proposed training and workshop programs) proposed for inclusion in the Project during the following Fiscal Year, together with a budget and financing plan for such activities and a timetable for their implementation, including amounts of the Recipient’s counterpart funding required for the purpose; and

   (b) thereafter, carry out the Project with due diligence during such following year in accordance with such annual work plan as shall have been approved by the Association.

2. The Recipient shall ensure that, in preparing any training or workshops proposed for inclusion in the Project under an agreed Annual Work Plan, it shall identify in the work plan: (a) the objective and content of the training or workshop envisaged; (b) the selection method of institutions or individuals conducting such training or workshop; (c) the expected duration and an estimate of the cost of said training or workshops; and (d) the description of people selected to attend the training or the workshop.

3. The Recipient shall not make or allow to be made any change to the Annual Work Plan without prior no-objection in writing by the Association.
Section II.  **Project Monitoring, Reporting and Evaluation**

A.  **Project Reports**

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 indicators acceptable to the Association and set out in the Project Implementation Manual. Each Project Report shall cover the period of one calendar quarter, and shall be furnished to the Association not later than forty-five (45) days after the end of the period covered by such report.

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.  The Recipient shall prepare and furnish to the Association not later than forty-five (45) days after the end of each calendar quarter, interim unaudited 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. The audited Financial Statements for each such period shall be furnished to the Association not later than six (6) months after the end of such period.

Section III.  **Procurement**

All goods, works, non-consulting services and consulting 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 the Procurement Regulations and the provisions of the Procurement Plan.

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 Investment Project Financing” dated February 2017, 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 ("Category"), 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>Amount of the Financing Allocated (expressed in EUR)</th>
<th>Percentage of Expenditures to be Financed (inclusive of Taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Goods, works, non-consulting services, consultants’ services,</td>
<td>71,400,000</td>
<td>100%</td>
</tr>
<tr>
<td>Training and Operating Costs for Parts 1 and 3 of the Project</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(2) Goods, non-consulting services, consultants’ services, Training</td>
<td>19,600,000</td>
<td>100%</td>
</tr>
<tr>
<td>and Operating Costs for Part 4 of the Project</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(3) Goods, works and non-consulting services for Part 2 of the Project</td>
<td>42,800,000</td>
<td>100%</td>
</tr>
<tr>
<td>provided under the RBF Facility and the Debt Facility</td>
<td></td>
<td></td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>133,800,000</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:

   (a) for payments made prior to the date of this Agreement, except that withdrawals up to an aggregate amount not to exceed €10,000,000 may be made for payments made prior to this date but on or after June 1, 2017, for Eligible Expenditures under Categories (1) and (2); and

   (b) under Category (3) unless and until: (i) the fund managers for the Debt Facility and the RBF Facility have been appointed; and (ii) the fund managers have prepared, and the Recipient has adopted the FIM, all in accordance with Section I.E.1 of this Schedule 2 to this Agreement.

2. The Closing Date is June 30, 2023.
SCHEDULE 3

Repayment Schedule

<table>
<thead>
<tr>
<th>Date Payment Due</th>
<th>Principal Amount of the 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, 2022, to and including May 15, 2042</td>
<td>1.65%</td>
</tr>
<tr>
<td>commencing November 15, 2042, to and including May 15, 2047</td>
<td>3.40%</td>
</tr>
</tbody>
</table>

* The percentages represent the percentage of the principal amount of the Credit to be repaid, except as the Association may otherwise specify pursuant to Section 3.03(b) of the General Conditions.
APPENDIX

Section I. Definitions

1. “Affected Person” means a person who as a result of: (i) the involuntary taking of land under the Project is affected in any of the following ways: (A) relocation or loss of shelter; (B) loss of assets or access to assets; or (C) loss of income sources or means of livelihood, whether or not the affected person must move to another location; or (ii) the involuntary restriction of access to legally designated parks and protected areas suffers adverse impacts on his or her livelihood.

2. “Annual Work Plan” means the work plan to be prepared for each year of implementation of the Project, in accordance with Section I.G of Schedule 2 to this Agreement.


4. Basis Adjustment to the Interest Charge” means the Association’s standard basis adjustment to the Interest Charge for credits in the currency of denomination of the Credit, in effect at 12:01 a.m. Washington, D.C. time, on the date on which the Credit is approved by the Executive Directors of the Association, and expressed either as a positive or negative percentage per annum.

5. “Basis Adjustment to the Service Charge” means the Association’s standard basis adjustment to the Service Charge for credits in the currency of denomination of the Credit, in effect at 12:01 a.m. Washington, D.C. time, on the date on which the Credit is approved by the Executive Directors of the Association, and expressed either as a positive or negative percentage per annum.

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

7. “County” means a devolved government structure established under Article 176 of the Recipient’s Constitution of 2010; and the term “Counties” means more than one such County, and for purposes of this Agreement, the term is limited to Underserved Counties.

8. “CCSP” means a cooking solutions service provider that shall receive Sub-financing from the RBF Facility.

9. “CCSP Facility Sub-project” means the development projects to be financed under Part 2(b) of the Project and include acquisition of clean cooking appliances and fuels by CCSPs to be sold to households in the Underserved Counties.
10. “Council of Governors” means the council established under Section 19 of the Intergovernmental Relations Act of 2012.

11. “County Government” or “CG” means, for the purposes of this Project, the government established by the Underserved Counties, in accordance with the laws of the Recipient.

12. “Debt Facility” means the facility to be established under Part 2 of the Project, pursuant to which Sub-financing will be provided to SSPs for purposes of financing reasonable costs of goods, works and non-consulting services to carry out the SSP Debt Facility Sub-projects.

13. “Energy Regulatory Commission” means the Recipient’s energy regulatory board established and operating pursuant to the Energy Act.

14. “Environmental and Social Impact Assessment” means any assessment to be prepared in accordance with the environmental and social screening guidelines, procedures and forms included in the ESMF, each such assessment in form and substance satisfactory to the Association, defining details of potential environmental and social risks and adverse impacts associated with the implementation of Project activities.

15. “Environmental and Social Management Framework” or “ESMF” means the instruments satisfactory to the Association, prepared and adopted by the Recipient, dated March 2017, and disclosed locally on March 22, 2017, and through the Association’s Infoshop on March 24, 2017, outlining the process for management of the environmental and social aspects of the Project as the same may be amended from time to time with the Association’s prior written concurrence.

16. “Environmental and Social Management Plan” or “ESMP” means any plan to be prepared by the Recipient, consistent with the ESMF, providing details about the management of the environmental and social aspects of the activities to be carried out under the Project, as the same may be amended from time to time with the Association’s prior written concurrence.

17. “Facilities Implementation Manual” or FIM” means the manual to be prepared by the Recipient pursuant to the Section 1.D of Schedule 2 to this Agreement containing detailed implementation arrangements and procedures for the RBF Facility and the Debt Facility, as the same may be amended and/or supplemented from time to time; and such term includes any schedule to the FIM.

18. “Fiscal Year” means the Recipient’s fiscal year commencing July 1 and ending on June 30.
19. “General Conditions” means the “International Development Association General Conditions for Credits and Grants”, dated July 31, 2010, with the modifications set forth in Section II of this Appendix.

20. “Kenya Power and Lighting Company Limited” or “KPLC” means a publicly listed, limited liability company incorporated and operating under the Companies Act, 2015, responsible for transmission and distribution of electricity, or any legal successor thereto.


22. “Ministry of Energy and Petroleum” or “MoEP” means the Recipient’s ministry responsible for energy and petroleum, or any successor thereto.

23. “Operating Costs” means the reasonable expenses incurred on account of Project implementation, based on an Annual Work Plan approved by the Association pursuant to Section I.G of Schedule 2 to this Agreement, including: expenditures for maintenance of equipment, facilities and vehicles used for Project implementation, fuel, routine repair and maintenance of equipment, vehicles and office premises, communication costs, use of internet costs, stationery and other office supplies, utilities used for Project implementation, consumables, travel per diems, accommodation expenses, motor vehicle insurance expenses, internal and external audits, workshop venues and materials, and costs of translation, printing, photocopying and advertising, but excluding salaries, top-ups, honoraria, or allowances of the Recipient’s civil servants.

24. “Procurement Plan” means the Recipient’s procurement plan for the Project, dated June 7, 2017, and provided for under Section IV of the Procurement Regulations, as the same may be updated from time to time in agreement with the Association.


26. “Project Implementing Entity” means either KPLC or REA, the terms “Project Implementing Entities” means collectively KPLC and REA.

27. “Project Implementation Manual” or “PIM” mean the manual to be prepared by the Recipient pursuant to the Section I.D of Schedule 2 to this Agreement containing detailed implementation arrangements and procedures for the Project, including, inter alia: (a) policies, administrative, financial and procurement procedures as well as guidelines to be followed in the implementation and monitoring of the Project; (b) indicators for Project performance; the format and
content of quarterly progress reports, as the same may be amended and/or supplemented from time to time; and such term includes any schedule to the PIM.

28. "RBF Facility" means the facility to be established under Part 2 of the Project, pursuant to which Sub-financing will be provided to SSPs and CCSPs for purposes of financing reasonable costs of goods, works and non-consulting services to carry out the SSP Facility Sub-projects and the CCSP Facility Sub-projects.

29. "REA" means the Rural Electrification Authority established under the REA Legislation.


31. "Resettlement Action Plan" or "RAP" means the plan, satisfactory to the Association, to be prepared by the Recipient on the basis of the ESMF and RPF, as the said document may be amended and/or supplemented from time to time with the prior written concurrence of the Association and subject to the initial consultation and disclosure requirements carried out on the RAP, including, inter alia, a program of actions, measures and policies for the compensation, resettlement and rehabilitation of persons affected by the implementation of the Project, as the case may be, including as a result of the acquisition of land and other assets, and loss of access to land, other assets or income, whether permanent or temporary, together with adequate institutional, monitoring, reporting and grievance redressal arrangements capable of ensuring proper implementation of, and regular compliance with, its terms, as such Plan may be updated from time to time with the prior approval of the Association; and "Resettlement Actions Plans" or "RAPs" mean more than one such RAP.

32. "Resettlement Policy Framework" or "RPF" means the framework for the Project prepared by the Recipient, dated March 2017, and disclosed locally on March 22, 2017, and through the Association’s InfoShop on March 24, 2017, setting out measures and actions to be taken during the implementation of the Project for the provision of compensation, rehabilitation and resettlement assistance to any Displaced Persons; as said framework may be modified from time to time with the prior written no-objection of the Association, and such term includes any schedules or annexes to such framework.

33. "Respective Parts of the Project" means: (i) with respect to KPLC, Parts 1 and 3(a) of the Project; and (ii) with respect to REA, Parts 1 and 3(b) of the Project.

34. "Safeguard Frameworks" means, collectively, the ESMFs, RPF and VMGF; and "Safeguard Framework" means any one of the Safeguard Frameworks.
35. "Safeguard Instrument" means, in respect of a given Project activity: (a) for which the ESMF requires an ESIA, said ESIA; (b) for which the ESIA requires an ESMP, said ESMP; (c) for which the RPF requires a RAP, said RAP; and (d) for which a VMGF requires a VMGP, said VMGP; all as shall have been prepared in accordance with the provisions of Section I.F of Schedule 2 to this Agreement.

36. "SSP" means a solar service provider that shall receive Sub-financing the RBF Facility and the Debt Facility.

37. "SSP Debt Facility Sub-project" means the development projects to be financed under Part 2(a)(i) of the Project and include providing debt financing to SSPs to incentivize them to supply solar equipment to Underserved Counties.

38. "SSP RBF Facility Subproject" means the development projects to be financed under Part 2(a)(i) of the Project and include activities associated with the SSPs expansion of operations to Underserved Counties and low cost off-grid electricity connections for households.

39. "Sub-financing" means the financing to be provided under Part 2 of the Project from the RBF Facility and/or the Debt Facility, as the case may be, to CCSP and SSP to carry out Sub-projects.

40. "Sub-project" means collectively, the SSP RBF Facility Sub-projects, the SSP Debt Facility Sub-projects and the CCSP RBF Facility Sub-projects.

41. "Subsidiary Agreements" means the agreements referred to in Section I.B of Schedule 2 to this Agreement pursuant to which the Recipient shall make part of the proceeds of the Financing available to the respective Project Implementing Entities.

42. "Training" means the reasonable costs for the following expenditures incurred in providing training or workshops: travel by participants and presenters to the training or workshop site, per diem allowances of such persons during the training or workshop, honoraria for the presenters, rental of facilities, materials, supplies and translation and interpretation services.


44. "Vulnerable and Marginalized groups" or "VMGs" means distinct, vulnerable, social and cultural groups that may be identified pursuant to the criteria outlined in the VMGF for the purposes of this Project.

45. "Vulnerable and Marginalized Groups Framework" or "VMGF" means an instrument prepared by the Recipient, satisfactory to the Association, dated March
2017, disclosed locally on March 22, 2017, and through the Association’s Infoshop on March 24, 2017, outlining the basis for identifying vulnerable peoples and their rights, the appropriate consultative process as well as guidelines to avert, minimize, mitigate, or provide culturally appropriate compensation for any potentially adverse effects as the same may be amended from time to time with the Association’s prior written concurrence.

46. “Vulnerable and Marginalized Groups Plan” or “VMGP” means each of the plans to be prepared by the Recipient, satisfactory to the Association, which sets out the measures to be carried out by the Recipient to ensure that: (a) VMGs affected by the project receive culturally appropriate social and economic benefits; and (b) when potential adverse effects on VMGs are identified, those adverse effects are compensated for, avoided, minimized, or mitigated.

Section II. Modifications to the General Conditions

The General Conditions are hereby modified as follows:

1. Section 3.02 is modified to read as follows:

“Section 3.02. Service Charge and Interest Charge

(a) Service Charge. The Recipient shall pay the Association a service charge on the Withdrawn Credit Balance at the rate specified in the Financing Agreement. The Service Charge shall accrue from the respective dates on which amounts of the Credit are withdrawn and shall be payable semi-annually in arrears on each Payment Date. Service Charges shall be computed on the basis of a 360-day year of twelve 30-day months.

(b) Interest Charge. The Recipient shall pay the Association interest on the Withdrawn Credit Balance at the rate specified in the Financing Agreement. Interest shall accrue from the respective dates on which amounts of the Credit are withdrawn and shall be payable semi-annually in arrears on each Payment Date. Interest shall be computed on the basis of a 360-day year of twelve 30-day months.”

2. Paragraph 28 of the Appendix (“Financing Payment”) is modified by inserting the words “the Interest Charge” between the words “the Service Charge” and “the Commitment Charge”.

3. The Appendix is modified by inserting a new paragraph 32 with the following definition of “Interest Charge”, and renumbering the subsequent paragraphs accordingly:

“32. “Interest Charge” means the interest charge specified in the Financing Agreement for the purpose of Section 3.02 (b).”
4. Renumbered paragraph 37 (originally paragraph 36) of the Appendix ("Payment Date") is modified by inserting the words "Interest Charges" between the words "Service Charges" and "Commitment Charges".

5. Renumbered paragraph 50 (originally paragraph 49) of the Appendix ("Service Charge") is modified by replacing the reference to Section 3.02 with Section 3.02 (a).