

_____, 2017

Honorable Henry Rotich
Cabinet Secretary of the National Treasury
The National Treasury
P.O. Box 30007 Treasury Building
Harambee Avenue
Nairobi, Kenya

Dear Sir,

**Re: Republic of Kenya: Credit Number 6133-KE
Program to Strengthen Governance for Enabling Service Delivery
and Public Investment in Kenya**

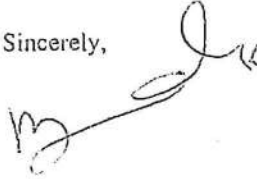
Enclosed are the following documents regarding the above-mentioned Program, which are delivered to you as the authorized representative of the Republic of Kenya (the Recipient):

1. one signed original of the Financing Agreement, of even date herewith, between the Republic of Kenya (the Recipient) and the International Development Association (the Association);
2. one signed original of the Supplemental Letter re: Section 5.01 of the General Conditions-Financial and Economic Data;
3. one signed original of the Disbursement Letter;
4. one copy of the "General Conditions for Credits and Grants" of the Association dated July 31, 2010; and
5. one copy of the "Guidelines on Preventing and Combating Fraud and Corruption in Program-for-Results Financing," dated February 1, 2012, and revised July 10, 2015.

Pursuant to the provision of Section 5.01 of the Financing Agreement, _____, 201_, is the terminal date (120 days after the date of signing) for effectiveness of the Financing Agreement.

Please confirm, on behalf of the Recipient, receipt of the documents listed above by signing this letter.

Sincerely,



Marjorie Mpundu
Senior Counsel
Africa and MENA Practice Group
Legal Vice Presidency

Enclosures

Received by:

23 SEP 2017

Name: ROSEMARY A OUTA
Rosemary

Date: _____

CREDIT NUMBER 6133-KE

Financing Agreement

(Program to Strengthen Governance for Enabling Service Delivery
and Public Investment in Kenya)

between

REPUBLIC OF KENYA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated 28 SEPTEMBER, 2017

CREDIT NUMBER 6133-KE

FINANCING AGREEMENT

AGREEMENT dated 28 SEPTEMBER, 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 an amount equivalent to one hundred thirty-one million, six hundred thousand Euro (€131,600,000) (variously, "Credit" and "Financing"), to assist in financing the program described in Schedule 1 to this Agreement ("Program").
- 2.02. The Recipient may withdraw the proceeds of the Financing in accordance with Section IV of Schedule 2 to this Agreement. All withdrawals from the Financing Account shall be deposited by the Association into an account specified by the Recipient and acceptable to the Association.
- 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 March 15 and September 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 — PROGRAM

- 3.01. The Recipient declares its commitment to the objective of the Program. To this end, the Recipient shall through the Implementing Agencies, carry out or cause the Program to be carried out, in accordance with the provisions of Article IV of the General Conditions.
- 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 Program 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 an action has been taken or a policy has been adopted which results in any significant reversal of Program activities and/or any activity implemented pursuant to the Program Action Plan.
- 4.02. The Additional Event of Acceleration consists of the following, namely, that the event specified in Section 4.01 of this Agreement occurs and is continuing for a period of sixty (60) days after notice of the event has been given by the Association to the Recipient.

ARTICLE V — EFFECTIVENESS; TERMINATION

- 5.01. The Effectiveness Deadline is the date one hundred and twenty (120) days after the date of this Agreement.
- 5.02. 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 at the time responsible for Finance.

6.02. The Recipient's Address is:

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

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:

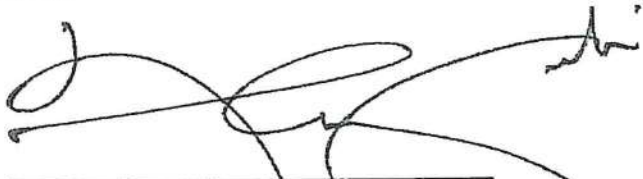
248423 (MCI)

1-202-477-6391

AGREED at NAIROBI, KENYA, as of the
day and year first above written.

REPUBLIC OF KENYA

By



Authorized Representative

Name:

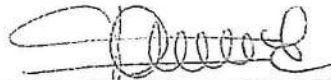
HENRY ROTICH

Title:

CABINET SECRETARY
NATURAL TREASURY

INTERNATIONAL DEVELOPMENT ASSOCIATION

By



Authorized Representative

Name:

DIARRIOU GATE

Title:

COUNTRY DIRECTOR

SCHEDULE 1

Program Description

The objective of the Program is to improve utilization and transparency of resource management in selected service delivery ministries, departments and agencies (MDAs).

The Program forms part of the Recipient's Public Financial Management Reform Strategy (PFMRS) program and consists of the following activities.

1. Carrying out of programs of activities designed to prioritize public investments, including activities such as: (a) facilitating the approval of a Public Investment Management (PIM) manual to guide the selection of investment projects, said PIM manual with components such as guidelines for project identification, appraisal, budgeting, implementation, reporting and monitoring and evaluation; (b) establishing the PIM unit with basic staff; (c) upgrading E-ProMIS; and (d) ensuring that an increasing number of projects with an allocation above Kenya Shillings (KSH) 100 million are in compliance with the PIM manual.
2. Carrying out a program of activities designed to enhance reliable funding for service delivery, including activities such as: (a) encouraging greater realism in revenue forecasting used in the annual national budget; (b) preparing borrowing plans consistent with delivering cash for MDAs based on the pertinent MDA's cash plans; (c) introducing a new cash management and exchequer system to ensure that budget releases; (d) developing and implementing guidelines that require that revised MDA cash plans protect service delivery and infrastructure budget priorities; (e) ensuring that an increasing share of service delivery budgets are released to MDAs according to the revised cash plans; and (f) ensuring that annual exchequer releases to capital budgets are increasingly aligned with the budget.
3. Carrying out a program of activities designed to facilitate efficient procurement, including feasible steps and activities to: (a) upgrade and implement the e-procurement system to enable it to deliver on the requirements of procurement entities, oversight institutions and suppliers consistent with the PPADA and attendant regulations; (b) ensure the updating of the State Procurement Portal to include appropriate information on tenders, awards, contract implementation, and complaints, and disclosure of procurement data following OCDS; and (c) ensuring that an increasing share of MDAs use the e-procurement system in compliance with the PPADA and attendant regulations.
4. Carrying out a program of activities designed to increase the consolidation of staff data for better service delivery and fiscal management, including activities such as: (a) increasing government human resource information system (GHRIS) function to handle human resources data from MDAs and interfacing with IFMIS;

and (b) restructuring and uploading data from different payroll systems across service delivery MDAs.

5. Carrying out a program of activities designed to achieve timely and quality and relevant audits reports, including activities such as: (a) implementing risk-based audit strategies; (b) adoption of the audit management software; (c) revising audit methodologies consistent with international standards; (d) ensuring a reduction in the number of months between the close of the Fiscal Year and submission by the National Treasury to the office of the Auditor-General of the annual financial statements; (e) increasing the share of MDA financial statements audits that have been completed within 3 months after the office of the Auditor-General has received them from the National Treasury; and (f) ensuring a reduction in the number of months between receipt of consolidated financial statements by the office of the Auditor-General and submission of the audited statement to Parliament.
6. Carrying out a program of activities designed to enhance transparent institutions, including activities such as: (a) facilitate the MDAs and the public to access multi-year itemized and facility level budget and outturn data for all MDAs in searchable form through the budget module of IFMIS; (b) complete diagnostic study of internal audit; (c) update manuals and a quality assurance framework for internal audit; and (d) ensure that an increasing number of MDAs prepare Annual and Quarterly MDA Internal Audit Reports in line with enhanced procedures for assurance, risk management and audit follow up.

SCHEDULE 2

Program Execution

Section I. Implementation Arrangements

A. Program Fiduciary, Environmental and Social Systems

Without limitation upon the provisions of Article IV of the General Conditions, the Recipient shall carry out the Program, or cause the Program to be carried out, in accordance with financial management, procurement and environmental and social management systems acceptable to the Association ("Program Fiduciary, Environmental and Social Systems") which are designed to ensure that:

1. the Financing proceeds are used for their intended purposes, with due attention to the principles of economy, efficiency, effectiveness, transparency, and accountability; and
2. the actual and potential adverse environmental and social impacts of the Program are identified, avoided, minimized, or mitigated, as the case maybe, all through an informed decision-making process.

B. Anti-Corruption

Without limitation upon the provisions of Part A of this Section, the Recipient shall carry out the Program, or cause the Program to be carried out, in accordance with the provisions of the Anti-Corruption Guidelines.

C. Program Institutions

1. Without limitation upon Part A of this Section, the Recipient shall maintain at all times during Program implementation adequate institutional arrangements - satisfactory to the Association as necessary to achieve the objectives of the Program - as further detailed in the Program Operations Manual, including the following Program Institutions:
 - (a) Program Steering Committee which shall be chaired by the Principal Secretary of the National Treasury (or a representative) and shall be responsible for *inter alia* providing overall policy and strategic oversight and direction in the Program execution, approving the annual work plan and budget, ensuring adequate resource allocation to MDAs and the Implementing Agencies consistent with the respective action plans, and reviewing the Program's progress, including the achievement of DLIs and the DLRs.

- (b) Program Technical Committee which shall be chaired by the Program Coordinator of the PFMR Secretariat and shall be responsible for *inter alia*, developing and reviewing annual work plans and budgets prior to submission for approval by the Program Steering Committee, facilitating cooperation and collaboration among MDAs and Implementing Agencies, monitoring and reviewing Program progress, and facilitating the Program review, evaluation and related activities.
- (c) PFM Reform Secretariat, which shall be maintained at the National Treasury and act as a secretariat for the Program Steering Committee and Program Technical Committee, respectively, and shall be responsible for *inter alia* day to day management and coordination of the Program, including to: (i) develop, operationalize, enforce and implement the Program Operations Manual and communications strategy; (ii) coordinate monitoring and evaluation; (iii) monitor and advocate for sufficient allocation of budget for achievement of results by the MDAs and Implementing Agencies; (iv) regularly collect and analyze data, preparation of progress and implementation reports; (v) coordinate the scope and implementation of work plans for the Program; (vi) hire of Independent Verification Agent(s); and (vii) consolidate Program financial accounts and financial statements from respective MDAs.

D. Program Operations Manual

1. No later than three (3) months after the Effective Date, the Recipient shall prepare a Program Operations Manual in form and substance satisfactory to the Association, containing detailed arrangements and procedures for implementation of the Program including *inter alia*: (a) disbursement and flow of funds arrangements; (b) institutional arrangements; (c) financial management, governance and procurement systems; (d) environmental and social management systems including the ESSA and operation of grievance redress mechanism; (e) monitoring and evaluation, reporting and communication, including Program indicators; (f) Program Action Plan; (g) detailed arrangements for verification of achievement of the DLR (including the Verification Protocol); and (h) such other administrative, financial, technical and organizational arrangements and procedures as shall be required for the Program.
2. The Recipient shall: (a) furnish to and exchange views with the Association on such manual promptly upon its preparation; and (b) thereafter adopt such manual as shall have been approved by the Association (Program Operations Manual).
3. The Recipient shall ensure and shall cause each MDA and Implementing Agency to ensure that the Program is carried out in accordance with the arrangements and procedures set out in the POM (provided, however, that in case of any conflict between the arrangements and procedures set out in the Program and the provisions

of this Agreement, the provisions of this Agreement shall prevail), and shall not amend, abrogate or waive, or permit to be amended, abrogated or waived, the POM or any of its provisions without prior approval in writing by the Association.

E. DLR Verification Arrangements

1. No later than June 30, 2018, the Recipient, through the National Treasury, specifically the PFMR, shall recruit one or more entities with experience, independence, and capacity and under the terms of reference acceptable to the Association (Independent Verification Agent(s)) to verify the data and other evidence supporting the achievement of one or more Disbursement Linked Result (DLRs) as set forth in Schedule 4 to this Agreement and recommend corresponding payments to be made, *inter alia*, to MDAs as applicable.
2. The Recipient shall: (a) ensure that the Independent Verification Agent(s) carries/carry out verification process(es) in accordance with the Verification Protocol agreed with the Association; and (b) submit to the Association the corresponding verification reports in a timely manner and in form and substance satisfactory to the Association.
3. In the event there is a need for verification services prior to the recruitment of the firm in accordance with sub-paragraph 1 above, the Recipient shall put in place adequate interim arrangement satisfactory to the Association and approved in writing by the Association for verification of the DLRs.

F. Program Action Plan

1. Without limitation to the provision of Section I.C of this Schedule the Recipient shall carry out the Program Action Plan, or cause the Program Action Plan to be carried out, in a manner satisfactory to the Association.

Section II. Excluded Activities

The Recipient shall ensure that the Program excludes any activities which:

- A. in the opinion of the Association, are likely to have significant adverse impacts that are sensitive, diverse, or unprecedented on the environment and/or affected people; or
- B. involve the procurement of: (1) works, estimated to cost €44,000,000 (\$50,000,000 equivalent) or more per contract; (2) goods, estimated to cost €26,000,000 (\$30,000,000 equivalent) or more per contract; (3) non-consulting services, estimated to cost €26,000,000 (\$30,000,000 equivalent) or more per contract; or (4) consultants' services, estimated to cost €13,000,000 (\$15,000,000 equivalent) or more per contract; provided, however, that such activities may be financed if

procured under contracts for works, goods and consultants' services that are deemed to be important to the integrity of the Program and their monetary value in relation to the Program is equal to or less than 25 percent of the estimated total Program expenditure.

Section III. Program Monitoring, Reporting and Evaluation; Audits

A. Program Reports

1. The Recipient shall monitor and evaluate the progress of the Program and prepare Program Reports in accordance with the provisions of Section 4.08 of the General Conditions. Each Program Report shall cover the period of one Fiscal Year, and shall be furnished to the Association not later than six (6) months after the end of the period covered by such report.
2. The Recipient shall: (a) on or about the date thirty (30) months after the Effective Date (or such earlier or later date as agreed with the Association), prepare and furnish to the Association a mid-term report, in such detail as the Association shall reasonably request, documenting progress achieved in the carrying out of the Program during the period preceding the date of the mid-term report, taking into account the monitoring and evaluation activities performed pursuant to paragraph 1 of this Part A, and setting out the measures recommended to ensure the continued efficient carrying out of the Program and the achievement of its objectives during the period following such date; and (b) review with the Association the mid-term report, on or about the date one month after its submission, and thereafter take all measures required to ensure the continued efficient implementation of the Program and the achievement of its objectives, based on the conclusions and recommendations of the mid-term report and the Association's views on the matter.

B. Program Financial Audits

Without limitation on the generality of Section I.A of this Schedule 2 and Section 4.09 of the General Conditions, the Recipient shall have the 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 twelve (12) months after the end of such period.

Section IV. Withdrawal of Financing Proceeds

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 may specify from time to time by notice to the Recipient in order to finance the Program Expenditures, on the basis of the results (“Disbursement Linked Results” or “DLRs”) achieved by the Recipient, as measured against specific indicators (“Disbursement Linked Indicators” or “DLIs”); all as set forth in the table in paragraph 2 of this Part A and Schedule 4 to this Agreement.

2. The following table specifies the categories for the withdrawal of the proceeds of the Financing and the allocated amounts of the Financing to each such Category including the Disbursement Linked Indicators. Notwithstanding the foregoing, the actual amounts authorized for disbursement (“Allocated Amount”) and/or the formula for their determination upon the achievement of an individual Disbursement Linked Result for any given Disbursement Linked Indicator financed under such Category, are set forth in Schedule 4 to this Agreement:

Category (including Disbursement Linked Indicator)	Disbursement Linked Results	Disbursement Calculation Formula	Amount of the Financing Allocated (expressed in Euro)
1. Prioritized Public Investments	DLR #1a: PIM unit established in National Treasury	<u>June 2019</u> : €438,571 per project	2,200,000
	DLR #1b: Approved PIM manual and user requirements for E-ProMIS which addresses key challenges in PIM including prioritization, costing and transparency	<u>June, 2020</u> : €438,571 per project	2,200,000
	DLR #1c: UAT complete for enhanced E-ProMIS automating provisions of PIM manual	<u>In subsequent years</u> : €438,571 for each additional project above the previous year’s target up to the target for the year	2,200,000
	DLR #1d: Projects with capital allocations above KSH 100 million which are		15,350,000

	in compliance with procedures in the PIM manual		
2.1. Reliable Funding for Service Delivery and Public Investments	DLR #2.1a: UAT of cash management and exchequer systems	€1.75M per year minus €0.35M for every 1%-point increment above the target	1,300,000
	DLR #2.1b: Guidelines adopted by National Treasury which require that revised MDA cash plans protect service delivery and infrastructure budget priorities	€1.75M per Year minus € 0.35 million for every 1%-point increment below the target	1,300,000
	DLR #2.1c: Average under-release of priority operational service delivery budget allocations expressed as a percentage of revised in year cash plans on a quarterly then monthly basis.	€1.75M minus €0.875 million for every 1%-point increment below the target	7,000,000
	DLR #2.1d: Annual exchequer releases to GoK capital budget allocations as a percentage of the approved budget	€1.75M per year minus €0.35M million for every 1%-point increment above the target	7,000,000
	2.2. Improved Revenue Projections	DLR #2.2: Actual domestic (tax plus non tax) revenue collections as a percentage of the Annual Budget	
2.3. Reliability of Financing and External Resource	DLR #2.3a: In year borrowing plan consistent with delivering cash for MDAs based on a compilation of the cash		1,755,000

	<p>plans using the new system</p> <p>DLR #2.3b: Average under performance of quarterly net domestic borrowing as a percentage of what is planned in revised in year cash plans</p>		7,000,000
3. Efficient and Transparent Procurement	<p>DLR #3a: roadmap agreed for upgrading e-procurement system including SPP, aligned to requirements of PPADA and attendant regulations</p>	<p><u>June 2020:</u> €0.88 million for each MDA up to a maximum of 2. €0.88 million for each additional high spending MDA up to a maximum of 3</p>	1,755,000
	<p>DLR #3b: UAT for upgraded e-procurement and SPP complete</p>	<p><u>June 2021:</u> 2020 MDA target is met. €0.88 million for additional MDA up to a maximum of 2. €0.88 million for each additional high spending MDA up to a maximum of 3</p>	3,500,000
	<p>DLR #3c: Number of MDAs using the e-procurement system in compliance with the PPADA and attendant regulations for the full fiscal year and procurement data disclosed in SPP following OCDS</p>	<p><u>June 2022:</u> €4.4 million minus €0.88 million for each MDA below 25 or the full number of MDAs whichever is lower</p>	13,200,000
4. Consolidated Staff Data	<p>DLR #4a: Plan adopted for GHRIS to be enhanced to handle consolidated human resource data from MDAs which interfaces with IFMIS</p>	<p><u>June 2019:</u> €1,316,666 for each MDA on GHRIS up to a maximum of 2</p>	1,755,000
	<p>DLR #4b: Number of MDAs whose payroll data has been uploaded to GHRIS and are up to date</p>	<p><u>June 2020:</u> 2019 MDA target is met. €1,755,555 for each MDA With Major Service Delivery Payroll on GHRIS up to a maximum of 2. €877,777 for one additional MDA on GHRIS</p>	15,800,000
		<p><u>June 2021:</u> 2020 MDA target is met. €1,755,555</p>	

		<p>for one additional MDA With Major Service Delivery Payroll on GHRIS plus €658,333 for each additional MDA on GHRIS up to a maximum of 4</p> <p><u>June 2022:</u> 2021 MDA target is met. €1,755,555 for one additional MDA With Major Service Delivery Payroll on GHRIS. €289,667 for each additional MDA on GHRIS up to a maximum of 9</p>	
5.1. Timely, Quality Assured, Financial Statements	<p>DLR #5.1: The percentage (%) of MDAs the National Treasury has reviewed the quality of Annual Financial Statements generated from IFMIS and has submitted to the OAG within 4 months</p>	<p>Disbursement proportional to progress towards meeting annual target over base line</p>	7,900,000
5.2. Timely, Efficient, Quality Audit	<p>DLR #5.2a: Approval of audit codes that classify risk clusters to enable efficient targeting of audit resource</p> <p>DLR #5.2b: Enhanced audit methodology and quality assurance framework approved</p> <p>DLR #5.2c: percentage of MDAs whose financial statement audits have been completed within 3 months after OAG receipt of final financial statements using an improved methodology, undergone quality assurance</p>	<p><u>June 2020:</u> €1.75 million minus €0.175 million for every 1%-point increment below the target</p> <p><u>Thereafter:</u> €2.625 million minus €0.265 million for every 1%-point increment below the target</p> <p><u>June 2019:</u> €41,176 on a pass/fail basis</p>	<p>880,000</p> <p>450,000</p> <p>7,000,000</p>

	DLR #5.2d: Months between receipt of final consolidated financial reports by OAG and submission of the audited financial statements to Parliament	<p><u>June 2020</u>: €1,764,705 minus €882,353 per month behind target</p> <p><u>June 2021</u>: €2,647,058 minus €1,323,529 per month behind target</p> <p><u>June 2022</u>: €2,647,058 minus €1,323,529 per month behind target</p>	7,500,000
6.1. Transparent Institutions	DLR #6.1a: MDAs can access multi-year itemized and facility level budget and outturn data for all MDAs in searchable form through the budget module in the IFMIS	<p><u>June 2019</u>: €526,470 for 1 MDA in the education sector plus €526,470 for 1 additional pilot MDA</p> <p><u>June 2020</u>: 2019 MDA target is met. €877,451 for one MDA in the health sector. €877,451 for each additional MDA up to a maximum of 2</p> <p><u>June 2021</u>: 2020 MDAs' target is met. €263,235 for one MDA in the Infrastructure Sector. €263,235 for each additional MDAs up to a maximum of 9</p> <p><u>June 2020</u>: €175,500 per MDA up to a maximum of 10</p>	880,000
	DLR #6.1b: UAT of online public interface which provides information in a searchable form on programs and projects and transfers to service delivery unit		700,000
	DLR #6.1c: Number of MDAs where information is publicly available online in searchable form on: a) program expenditure; b) project expenditure; and c) transfers to service delivery units		8,950,000
6.2. Strengthened Fiduciary Assurance and Risk Management	DLR #6.2a: Complete diagnostic study of internal audit	<p><u>June 2021</u>: Minimum of 5 MDAs. €175,500 per additional MDA above 5 up to a maximum of 10</p>	880,000
	DLR #6.2b: Updated manuals and quality assurance framework for internal audit to strengthen assurance and risk management are in place	<p><u>June 2022</u>: Minimum of 10 MDAs. €175,500 per MDA above 10 up to a maximum of 10</p>	880,000

	DLR #6.2c: Annual and quarterly MDA internal audit reports have been prepared and undergone quality assurance in line with enhanced procedures for assurance, risk management and audit follow up		5,265,000
TOTAL			131,600,000

B. Withdrawal Conditions; Withdrawal Period

1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made:
 - (a) for purposes of Section 2.05 of the General Conditions, for payments for Program Expenditures made prior to the date of this Agreement;
 - (b) for any DLR unless and until the Recipient has furnished evidence satisfactory to the Association that said DLR has been achieved and verified, all in accordance with the Verification Protocol; or
2. Notwithstanding the provisions of Part B.1(b) of this Section, if the Association is not satisfied that any of the DLR(s) has/have been achieved by end of each Fiscal Year or of the date by which the said DLR(s) is/are set to be achieved and/or the Allocated Amount(s) of such DLR(s) has/have not been fully withdrawn, the Association may, at any time, by notice to the Recipient:
 - (a) authorize the withdrawal of such lesser amount of respective Allocated Amount(s) allocated to any of DLR(s) which in the opinion of the Association, corresponds to the extent of achievement of said DLR(s);
 - (b) withhold all or a portion of the proceeds of the Financing then allocated to said DLR(s) until such DLR(s) is/are satisfactorily met;
 - (c) reallocate all or a portion of the proceeds of the Financing then allocated to said DLR(s) to any other DLR(s); and/or
 - (d) cancel all or a portion of the proceeds of the Financing then allocated to said DLR(s).
3. Notwithstanding the provision of Part B.1(b) of this Section, the Recipient may, at any point in time, withdraw the proceeds of the Financing up to an aggregate amount not to exceed the equivalent of twenty-five percent (25%) of the amounts

of the Financing proceeds (net of any cancellations), as advance for purposes of achieving one or more DLRs for which the Recipient shall subsequently furnish the evidence referred to in Part B.1(b) of this Section; provided, however, that if by the end of the acceptable period for the verification of DLR(s) the Recipient has withdrawn amounts in excess of the Allocated Amounts authorized for disbursement as per the table set forth in Section IV.A.2 and as detailed in Schedule 4 to this Agreement in respect of achieved and verified DLRs, the Association shall require the Recipient to refund the amount of such excess to the Association promptly upon notice thereof by the Association, in order for the Association to proceed with its cancellation. Notwithstanding the foregoing, the Association may, at any time, by notice to the Recipient, exercise any of the actions set forth in paragraphs (a) and/or (b) of Part B.2 of this Section in respect of any such amounts.

4. The Closing Date is December 31, 2022.
5. Notwithstanding the foregoing provisions of this Section IV, if at any time after the Closing Date the Recipient has failed to provide evidence satisfactory to the Association that the Withdrawn Financing Balance does not exceed the total amount of Program Expenditures, the Recipient shall, promptly upon notice from the Association, refund to the Association such excess amount of the Withdrawn Financing Balance. The Association shall cancel the refunded amount of the Withdrawn Financing Balance.

SCHEDULE 3

Repayment Schedule

Date Payment Due	Principal Amount of the Credit repayable (expressed as a percentage)*
On each March 15 and September 15:	
commencing September 15, 2022 to and including March 15, 2042	1.65%
commencing September 15, 2042 to and including March 15, 2047	3.40%

* 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.

SCHEDULE 4

Disbursement-Linked Indicator Matrix

Disbursement-Linked Indicators, Disbursement-Linked Results and Allocated Amounts

	Total Financing Allocated to DLI	DLI Baseline <i>By June 2017</i>	Indicative timeline for DLRs				
			2017/18 - Y1 <i>By June 2018</i>	2018/19 - Y2 <i>By June 2019</i>	2019/20 - Y3 <i>By June 2020</i>	2020/21 - Y4 <i>By June 2021</i>	2021/22 - Y5 <i>By June 2022</i>
Result Area 1: Prioritized Public Investments							
DLI 1: Prioritized Public investments							
Number of Projects with capital allocations above KES 100 million which are in compliance with procedures in the PIM manual (Lead: To be determined)	€21,950,000	Project identification circulars in place	PIM unit established in NT Approved PIM manual & user requirements for E-ProcMIS which addresses key challenges in PIM including prioritization, costing and transparency	5 projects UAT complete for enhancement of E-ProcMIS automating provisions of PIM manual	10 Projects	20 Projects using E-ProcMIS	30 Projects using E-ProcMIS
Allocated amount:			€4,390,000	€4,390,000	€4,390,000	€4,390,000	€4,390,000
Allocated amount for results areas 1:	€21,950,000		€4,390,000	€4,390,000	€4,390,000	€4,390,000	€4,390,000

	Total Financing Allocated to DLI	DLI Baseline By June 2017	Indicative timeline for DLRs				
			2017/18 - Y1 By June 2018	2018/19 - Y2 By June 2019	2019/20 - Y3 By June 2020	2020/21 - Y4 By June 2021	2021/22 - Y5 By June 2022
Result Area 2: Reliable Funding for Service Delivery and Public Investments							
DLJ 2.1: Reliable funding for Service Delivery and Investment Projects							
Average under-release of priority operational service delivery budget allocations expressed as a percentage of revised in year cash plans on a quarterly then monthly basis (Lead: accounting services, NT)	€16,600,000	8% of recurrent budgets for 25 service delivery MDAs (2015/16) Cash management system not operational (2016/17)	UAT of cash management and exchequer systems Guidelines adopted by NT which require that revised MDA cash plans protect service delivery and infrastructure budget priorities	Below 8% of quarterly service delivery cash plans	Below 5% of quarterly service delivery cash plans	Below 10% of monthly service delivery cash plans	Below 8% of monthly service delivery cash plans
Annual exchequer releases to GOK capital budget allocations as a % of the approved budget (Lead: Accounting Services, NT)		90.7% of development budget allocations		92% of capital allocations	93% of capital allocations	94% of capital allocations	95% of capital allocations
Allocated amount:			€2,600,000	€3,500,000	€3,500,000	€3,500,000	€3,500,000

	Total Financing Allocated to DLI	DLI Baseline <i>By June 2017</i>	Indicative timeline for DLRs				
			2017/18 - Y1 <i>By June 2018</i>	2018/19 - Y2 <i>By June 2019</i>	2019/20 - Y3 <i>By June 2020</i>	2020/21 - Y4 <i>By June 2021</i>	2021/22 - Y5 <i>By June 2022</i>
DLI 2.2: Improved Revenue Projections							
Actual domestic (tax plus non tax) revenue collections as a percentage of the annual budget. (Lead: Macro and fiscal affairs department, NT)	€7,000,000	91.87% (2015/16)	92 percent of forecast	92.5% percent of forecast	93% percent of forecast	93.5% percent of forecast	94% percent of forecast
Allocated amount:			\$0 million	€1,750,000	€1,750,000	€1,750,000	€1,750,000
DLI 2.3: Reliability of domestic financing							
Average under performance of quarterly net domestic borrowing as a percentage of what is planned in revised in year cash plans (Lead: PDMO, NT)	€8,755,000	70% (2015/16)	In year borrowing plan consistent with delivering cash for MDAs based on a compilation of the cash plans using the new system	Under 40% of plan	Under 35% of plan	Under 30% of plan	Under of 25% of plan
Allocated amount:			€1,751,000	€1,751,000	€1,751,000	€1,751,000	€1,751,000
Allocated amount for results areas 2:	€32,355,000		€4,351,000	€7,001,000	€7,001,000	€7,001,000	€7,001,000

	Total Financing Allocated to DLI	DLI Baseline <i>By June 2017</i>	Indicative timeline for DLRs				
			2017/18 - Y1 <i>By June 2018</i>	2018/19 - Y2 <i>By June 2019</i>	2019/20 - Y3 <i>By June 2020</i>	2020/21 - Y4 <i>By June 2021</i>	2021/22 - Y5 <i>By June 2022</i>
Result Area 3: Efficient and Transparent Procurement							
DLI 3: Efficient and Transparent Procurement							
Number of MDAs using the e-procurement system in compliance with the PPADA and attendant regulations for the full fiscal year and procurement data disclosed in SPP following OCDS (Lead: procurement department, NT)	€18,455,000	IFMIS procurement module operational and aligned with the PPADA 2005 and attendant regulations	Roadmap agreed for upgrading e-procurement system including state procurement portal, aligned to requirements of PPADA and attendant regulations	UAT for upgraded e-procurement and state procurement portal complete	5 MDAs (comprising of 2 high spending ministry/state department and 1 commission)	10 MDAs (comprising 5 high spending ministry/state department and 1 commissions)	All MDAs
Allocated amount:			€1,810,000	€3,520,000	€4,375,000	€4,375,000	€4,375,000
Allocated amount for results area 3:	€18,455,000		€1,810,000	€3,520,000	€4,375,000	€4,375,000	€4,375,000

	Total Financing Allocated to DLI	DLI Baseline By June 2017	Indicative timeline for DLRs				
			2017/18 - Y1 By June 2018	2018/19 - Y2 By June 2019	2019/20 - Y3 By June 2020	2020/21 - Y4 By June 2021	2021/22 - Y5 By June 2022
Result Area 4: Consolidated Staff Data							
DLI 4: Consolidated Staff Data Number of MDAs whose payroll data has been uploaded to GHRIS and are up to date (Lead: MoPSYGA)	€17,555,000	0	Plan adopted for GHRIS to be enhanced to handle consolidated human resources (HR) data from MDAs which interfaces with IFMIS	2 pilot MDAs	5 MDAs including 2 with major service delivery payrolls	10 MDAs including 3 with major service delivery payrolls	20 MDAs including 4 with major service delivery payrolls
Allocated amount:			€1,790,000	€2,790,000	€4,325,000	€4,325,000	€4,325,000
Allocated amount for results area 4:	€17,555,000		€1,790,000	€2,790,000	€4,325,000	€4,325,000	€4,325,000

	Total Financing Allocated to DLI	DLI Baseline <i>By June 2017</i>	Indicative timeline for DLRs				
			2017/18 - Y1 <i>By June 2018</i>	2018/19 - Y2 <i>By June 2019</i>	2019/20 - Y3 <i>By June 2020</i>	2020/21 - Y4 <i>By June 2021</i>	2021/22 - Y5 <i>By June 2022</i>
Result Area 5: Timely & Quality Financial Statements and Audits							
DLI 5.1: Timely, Quality Assured, Financial Statements							
The percentage (%) of MDAs the National Treasury has reviewed the quality of annual financial statements generated from IFMIS and has submitted to the OAG within 4 months (Lead: accounting services, NT)	€7,900,00	10%, generated from IFMIS	15%, generated from IFMIS	20%, generated from IFMIS	30%, generated from IFMIS	40%, generated from IFMIS	50%, generated from IFMIS
Amount allocated			€700,000	€1,800,000	€1,800,000	€1,800,000	€1,800,000

	Total Financing Allocated to DLI	DLI Baseline By June 2017	Indicative timeline for DLRs				
			2017/18 - Y1 By June 2018	2018/19 - Y2 By June 2019	2019/20 - Y3 By June 2020	2020/21 - Y4 By June 2021	2021/22 - Y5 By June 2022
DLI 5.2 Timely, Efficient, Quality Audit	€15,830,000	0% of MDAs (new methodology not in place)	None	Enhanced audit methodology and quality assurance framework approved	15% of MDAs	33% of MDAs	50% of MDAs
a) % of MDAs whose financial statement audits have been completed within 3 months after OAG receipt of final financial statements using an improved methodology, undergone quality assurance (Lead: OAG)							
b) Months between receipt of final consolidated financial reports by OAG and submission of the audited financial statements to Parliament		10 months (2015/16)	Approval of audit codes that classify risk clusters to enable efficient targeting of audit resource	8 months	6 months	4 months	3 months
Amount allocated			€710,000	€710,000	€3,530,000	€3,440,000	€5,440,000
Allocated amount to results area 5	€23,730,000		€1,410,000	€2,510,000	€5,330,000	€7,240,000	€7,240,000

	Total Financing Allocated to DLI	DLI Baseline <i>By June 2017</i>	Indicative timeline for DLRs				
			2017/18 - Y1 <i>By June 2018</i>	2018/19 - Y2 <i>By June 2019</i>	2019/20 - Y3 <i>By June 2020</i>	2020/21 - Y4 <i>By June 2021</i>	2021/22 - Y5 <i>By June 2022</i>
Result Area 6: Strengthened Fiduciary Assurance and Transparency							
DLI Indicator 6.1: Transparent Institutions Number of MDAs where information is publicly available online in searchable form on: a) program expenditure; and b) project expenditure; and c) transfers to service delivery units (Lead: budget supplies department, NT)	€10,530,000	0 MDAs	MDAs can access multi-year itemized and facility level budget and outturn data for all MDAs in searchable form through the budget module	UAT of online public interface which provides information in a searchable form on programs and projects and transfers to service delivery unit	5 MDAs, including education and health	15 MDAs including education, health and infrastructure	All MDAs including education, health and infrastructure
Amount allocated			€782,000	€1,810,000	€2,646,000	€2,646,000	€2,646,000

	Total Financing Allocated to DLI	DLI Baseline By June 2017	Indicative timeline for DLRs				
			2017/18 - Y1 By June 2018	2018/19 - Y2 By June 2019	2019/20 - Y3 By June 2020	2020/21 - Y4 By June 2021	2021/22 - Y5 By June 2022
<p>DLI 6.2: Strengthened Fiduciary Assurance and Risk Management Annual and Quarterly MDA Internal Audit Reports have been prepared and undergone quality assurance in line with enhanced procedures for assurance, risk management and audit follow up (Lead: internal audit, NT)</p>	€7,025,000	Audit management and data analysis software, internal audit manuals & guidelines in place	Complete diagnostic study of internal audit	Updated manuals and quality assurance framework for internal audit to strengthen assurance and risk management are in place	10 MDAs	15 MDAs	20 MDAs
Amount allocated			€857,500	€857,500	€1,770,000	€1,770,000	€1,770,000
Allocated amount to result area 6:	€17,555,000		€1,639,500	€2,667,500	€4,416,000	€4,416,000	€4,416,000
Total Financing Allocated:	€131,600,000		€15,390,500	€22,878,500	€29,837,000	€31,747,000	€31,747,000

APPENDIX

Section I. Definitions

1. "Annual and Quarterly MDA Internal Audit Reports" means the reports produced annually by the MDAs to comply with the Recipient's Public Finance Management Law.
2. "Anti-Corruption Guidelines" means the Association's "Guidelines on Preventing and Combating Fraud and Corruption in Program-for-Results Financing" dated February 1, 2012, and revised July 10, 2015.
3. "Auditor-General" or "OAG" means the office established and operating pursuant to Article 229 of the Constitution of the Recipient, 2010.
4. "Category" means a category set forth in the table in Section IV.A.2 of Schedule 2 to this Agreement.
5. "Chart of Accounts" means a structured list of accounts used as a tool to classify and record budget revenues and expenditure transactions, government assets and liabilities on a standard budget classifications systems consistent with the Public Finance Management Act.
6. "Disbursement Linked Indicator" or "DLI" means in respect of a given Category, the indicator related to said Category as set forth in the table in Section IV.A.2 of Schedule 2 to this Agreement.
7. "Disbursement Linked Result" and the acronym "DLR" mean each of the disbursement-linked targets/results set forth in the second column of the table in Section IV.A.2 of Schedule 2 to this Agreement, and as detailed in the table in Schedule 4 to this Agreement, on the basis of the achievement of which, the amount of the Financing allocated to said result may be withdrawn.
8. "E-ProMIS" means the Recipient's government electronic project monitoring information system.
9. "ESSA" means the Environmental and Social System Assessment dated May 2017, and applicable to the Program which assesses the Recipient's environmental and social management systems, detailing the Program's environmental and social benefits, risks and impacts and recommending remedial measures to strengthen the social and environmental systems performance.
10. "Fiscal Year" or "FY" means the Recipient's fiscal year commencing July 1 of each year and ending June 30 of the following year.

11. "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.
12. "GHRIS" means the Recipient's government human resource information system.
13. "iFMIS" means integrated financial management information system.
14. "Implementing Agencies" means the National Treasury and the Ministry of Public Service, Youth and Gender Affairs or MoPSYGA.
15. "Independent Verification Agent" means any organization referred to in Section I.E.1 of Schedule 2 to this Agreement.
16. "Kenya Shillings" or "KSH" means the lawful currency of the Recipient.
17. "MDAs" means the Recipient's ministries, departments and agencies referred to in the Program Operations Manual.
18. "MDAs With Major Service Delivery Payroll" means the MDAs designated as such in the Program Operations Manual.
19. "National Treasury" or "NT" means the office established and operating pursuant to Article 225 of the Constitution of the Recipient, 2010.
20. "Open Contracting Data Standards" or "OCDS" means version 1.1 or a later version of the standard developed by the Open Contracting Partnership.
21. "Open Contracting Partnership" means a community of stakeholders, consisting of policy experts, leaders and campaigners advocating for open data and more community engagement to transform public projects, goods and services.
22. "Parliament" means the parliament established and operating pursuant to Article 93 of the Constitution of the Recipient, 2010.
23. "PFM Reform Secretariat" means the Program secretariat established within the Recipient's National Treasury to coordinate public financial management reforms, said PFM Secretariat referred to in Section I.C.1(c) of Schedule 2 to this Agreement.
24. "Principal Secretary" means the office established and operating pursuant to Article 155 of the Constitution of the Recipient, 2010.
25. "Public Procurement and Asset Disposal Act" or "PPADA" means the Recipient's Act Number 33 of 2015, as amended from time to time.

26. "Program Action Plan" means the set of priority actions agreed by the Association and the Recipient for the strengthening of the Recipient's macro and financial framework referred to in Section I.F of Schedule 2 to this Agreement, as the same may be amended from time to time with prior written approval of the Association.
27. "Program Fiduciary, Environmental and Social Systems" means the Recipient's systems for the Program referred to in Section I.A of Schedule 2 to this Agreement.
28. "Program Operations Manual" or "POM" means the manual for the Program referred to in Section I.D of Schedule 2 to this Agreement, adopted by the Recipient to facilitate the fiduciary and coordination mechanisms under the Program, as the same may be amended from time with prior written approval of the Association.
29. "Program Steering Committee" means the committee referred to in Section I.C.1(a) of Schedule 2 to this Agreement.
30. "Program Technical Committee" means the committee referred to in Section I.C.1(b) of Schedule 2 to this Agreement.
31. "Public Financial Management Reform Strategy" or "PFMRS" means the Recipient's strategy set forth in a document titled "The Strategy for PFM Reforms in Kenya 2013-2018", revised in June 2016, and setting forth the Program.
32. "Public Finance Management Act" means the Recipient's Act Number 18 of 2012, as amended from time to time.
33. "Public Investment Management" or "PIM" means the Recipient's processes, practices and guidelines for planning, preparing, selecting, budgeting, procuring, constructing and operationalization of the social and economic infrastructure public projects.
34. "State Procurement Portal" or "SPP" means the Recipient's internet based portal for publication of national tenders and other public procurement related data and information.
35. "UAT" means User Acceptance Testing.
36. "Verification Protocol" means the protocol, agreed with the Association, setting forth actions and mechanisms required for verifying the achievement of DLRs, dated July 4, 2017, and referred to in Section I.E.2 of Schedule 2 to this Agreement as the same may be amended from time to time with prior written approval of the Association.

37. "Year" means any of the Year 0 through 4 of the Program implementation as determined by the context, with Year 1 being the first full Fiscal Year after the date of the Agreement.

Section II. Modifications to the General Conditions

The General Conditions are hereby modified as follows:

1. Wherever used throughout the General Conditions, the term "the Project" is modified to read "the Program", the term "the Project Agreement" is modified to read "the Program Agreement", the term "Project Implementing Entity" is modified to read "the Program Implementing Entity", the term "Project Report" is modified to read "Program Report"; and the term "Eligible Expenditures" is modified to read "Program Expenditures".
2. In the **Table of Contents**, the references to Sections, Section names and Section numbers are modified to reflect the modifications set forth in the paragraphs below.
3. Section 2.02, *Special Commitment by the Association*, is deleted in its entirety, and the subsequent Sections in Article II are renumbered accordingly.
4. In Section 2.02 (originally numbered as Section 2.03), the heading "*Applications for Withdrawal or for Special Commitment*" is replaced with "*Applications for Withdrawal*", and the phrase "or to request the Association to enter into a Special Commitment" is deleted.
5. The section originally numbered as Section 2.04, *Designated Accounts*, is deleted in its entirety, and the subsequent Sections in Article II are renumbered accordingly.
6. Paragraph (a) of Section 2.03 (originally numbered as Section 2.05), *Eligible Expenditures* (renamed "Program Expenditures" in accordance with paragraph 1 of this Section II), is modified to read: "(a) the payment is for the financing of the reasonable cost of expenditures required for the Program and to be financed out of the proceeds of the Financing in accordance with the provisions of the Legal Agreements;"
7. The last sentence of Section 2.04 (originally numbered as Section 2.06), *Financing Taxes*, is modified to read: "To that end, if the Association at any time determines that the amount of any such Tax is excessive, or that such Tax is discriminatory or otherwise unreasonable, the Association may, by notice to the Recipient, exclude such amount or such Tax from the Program Expenditures to be financed out of the proceeds of the Financing, as required to ensure consistency with such policy of the Association."

8. Section 2.06 (originally numbered as Section 2.08), *Reallocation*, is modified to read: "Notwithstanding any allocation of an amount of the Financing to a withdrawal category under the Financing Agreement, the Association may, by notice to the Recipient, reallocate any other amount of the Financing to such category if the Association reasonably determines at any time that such reallocation is appropriate for the purposes of the Program."
9. 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."
10. Section 6.01, *Cancellation by the Recipient*, is modified to read: "The Recipient may, by notice to the Association, cancel any amount of the Unwithdrawn Financing Balance."
11. Paragraph (d) of Section 6.03, *Cancellation by the Association*, entitled "Misprocurement", is deleted, and subsequent paragraphs are relettered accordingly.
12. Section 6.04, *Amounts Subject to Special Commitment not Affected by Cancellation or Suspension by the Association*, is deleted in its entirety, and subsequent Sections in Article VI and references to such Sections are renumbered accordingly.
13. In the Appendix, *Definitions*, all references to Section numbers are modified, as necessary, to reflect the modifications set forth above. In addition, the definition of the term "Special Commitment" set forth in paragraph 50 is deleted in its entirety, and all subsequent paragraphs are renumbered accordingly.
14. 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”.

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

“32. “Interest Charge” means the interest charge specified in the Financing Agreement for the purpose of Section 3.02(b).”
16. 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”.
17. 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).

REPUBLIC OF KENYA

28 SEPTEMBER, 2017

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

**Re: Republic of Kenya: Credit Number 6133-KE
Program to Strengthen Governance for Enabling Service Delivery
and Public Investment in Kenya
Section 5.01 of the General Conditions- Financial and Economic Data**

Dear Sirs:

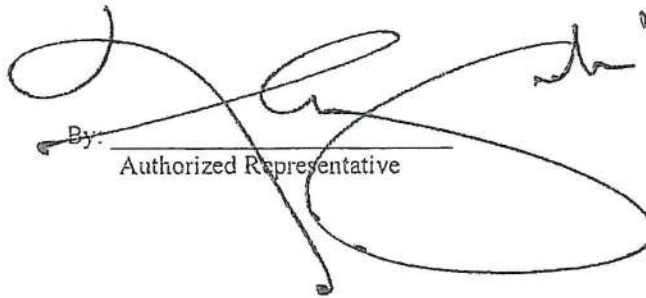
In connection with the Financing Agreement (Financing Agreement) of this date between the Republic of Kenya (Member Country) and International Development Association (Association) providing financing (Financing) for the above-captioned Project, and the General Conditions (General Conditions) made applicable to the Financing Agreement, I am writing on behalf of the Member Country, to set forth the following:

1. We understand and agree that, for purposes of Section 5.01 of the General Conditions, the Member Country is required by the Association to report "long-term external debt" (as defined in the World Bank's Debtor Reporting System Manual, dated January 2000 (DRSM)), in accordance with the DRSM, and in particular, to notify the Association of new "loans commitments" (as defined in the DRSM) not later than 30 days after the end of the quarter during which the debt is incurred, and to notify the Association of "transactions under loans" (as defined in the DRSM) once a year, not later than March 31 of the year following the year covered by the report.
2. We represent that, except as reported to the Association, no defaults exist in respect of any external debt (as defined in the DRSM). It is our understanding that, in making the Financing, the Association may rely on the representations set forth or referred to in this letter.

Please confirm your agreement to the foregoing by having a duly authorized representative of the Association sign in the space provided below.


Very truly yours,

REPUBLIC OF KENYA


By: _____
Authorized Representative

AGREED:

INTERNATIONAL DEVELOPMENT ASSOCIATION


By: _____
Authorized Representative

Name: DIARRIETOU GATE

Title: COUNTRY DIRECTOR

