

V024-KE

The World BankINTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
INTERNATIONAL DEVELOPMENT ASSOCIATION1818 H Street N.W.
Washington, D.C. 20433
U.S.A.(202) 477-1234
Cable Address: INTBAFRAD
Cable Address: INDEVAS23 MAY, 2016

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

Re: Republic of Kenya: Advance Agreement for the Preparation of the
Proposed Rural Road Project (KeRRP)
Project Preparation Advance No. V024-KE

Excellency:

In response to the request for financial assistance made on behalf of the Republic of Kenya ("Recipient"), I am pleased to inform you that the International Development Association ("World Bank") proposes to extend to the Recipient an advance out of the World Bank's Project Preparation Facility in an amount not to exceed two million Dollars (\$2,000,000) ("Advance") on the terms and conditions set forth or referred to in this letter agreement ("Agreement"), which includes the attached Annex, to assist in financing the activities described in the Annex ("Activities"). The objective of the Activities is to enhance mobility in selected rural areas in support of inclusive agriculture and other livelihoods of local communities ("Project"), for the carrying out of which the Recipient has requested the World Bank's financial assistance.

The Recipient represents, by confirming its agreement below, that: (a) it understands that the provision of the Advance does not constitute or imply any commitment on the part of IBRD or IDA to assist in financing the Project; and (b) it is authorized to enter into this Agreement and to carry out the Activities, repay the Advance and perform its other obligations under this Agreement, all in accordance with the provisions of this Agreement.

Please confirm the Recipient's agreement to the foregoing by having an authorized official of the Recipient sign and date the enclosed copy of this Agreement, and returning it to the World Bank. This Agreement shall become effective as of the Effective Date.

Very truly yours,

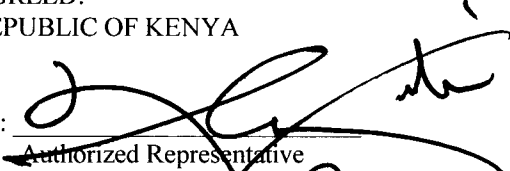
INTERNATIONAL DEVELOPMENT ASSOCIATION



By _____

Diarietou Gaye
Country Director
Eritrea, Kenya, Rwanda and Uganda
Africa Region

AGREED:
REPUBLIC OF KENYA

By: 
Authorized Representative

Name: HENRY ROTICH
Title: CABINET SECRETARY, NATIONAL TREASURY
Date: 23-5-2016

Enclosures:

- (1) "Standard Conditions for Advances Made by the World Bank under its Project Preparation Facility", dated July 31, 2010; and
- (2) Disbursement Letter for the Advance of the same date as this Agreement, together with "World Bank Disbursement Guidelines for Projects", dated May 1, 2006.

Article I
Standard Conditions; Definitions

1.01. **Standard Conditions.** The Standard Conditions for Advances Made by the World Bank under its Project Preparation Facility dated July 31, 2010 (“Standard Conditions”) constitute an integral part of this Agreement.

1.02. **Definitions.** Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the Standard Conditions or in this Agreement and the following term has the following meaning:

- (a) “KeRRA” or “Kenya Rural Roads Authority” means a State Corporation established through the Kenya Roads Act 2007 whose mandate is to offer guidance in the construction, maintenance and management of the rural road network of the Recipient’s territory.
- (b) “Project Preparation Team” or “PPT” means the team constituted by the Recipient and comprising representatives from the Recipient’s National Treasury, Ministry of Devolution and Planning, Council of Governors, Ministry of Agriculture and Fisheries, and Ministry of Transport and Infrastructure.

Article II
Execution of the Activities

2.01. **Description of the Activities.** The Activities for which the Advance is provided consist of the following parts:

- (a) Organizing stakeholder workshops.
- (b) Carrying out preparatory studies for the Project such as feasibility studies, safeguard documents, baseline surveys, a project implementation plan, and a gender action plan.
- (c) Provision of support to the Project Preparation Team (“PPT”) and acquisition of vehicles and office equipment necessary for the Project.

2.02. **Execution of the Activities Generally.** The Recipient declares its commitment to the objectives of the Activities. To this end, the Recipient shall cause the Activities to be carried out by KeRRA in accordance with the provisions of: (a) Article II of the Standard Conditions; (b) this Article II; and (c) the “Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants”, dated October 15, 2006 and revised in January 2011.

2.03. *Institutional and Other Arrangements.*

A. Subsidiary Agreement

1. To facilitate the carrying out of the Project, the Recipient shall make the proceeds of the Advance available to KeRRA under a subsidiary agreement (“Subsidiary Agreement”) between the Recipient and KeRRA, under terms and conditions approved by the World Bank, which shall include the following:
 - (i) the Recipient’s obligation to provide the proceeds of the Advance to KeRRA on terms and conditions satisfactory to the World Bank;
 - (ii) KeRRA’s obligation to carry out the Activities with due diligence and efficiency, in conformity with appropriate administrative, technical practices, under the supervision of qualified and experienced management assisted by competent staff in adequate numbers, and in accordance with the provisions of this Agreement;
 - (iii) KeRRA’s obligation to carry out the Activities in accordance with the Anti-Corruption Guidelines;
 - (iv) KeRRA’s obligation to procure the goods and services required for the Advance and to be financed out of the proceeds of the Advance, in accordance with the provisions of Section 2.06 of this Schedule;
 - (v) KeRRA’s obligation to furnish all such information as the Recipient or the World Bank shall reasonably request;
 - (vi) KeRRA’s obligation to promptly inform the Recipient and the World Bank of any condition which interferes or threatens to interfere with the progress of the Activities and the performance of its obligations under the Subsidiary Agreement; and
 - (vii) KeRRA’s obligation to neither take nor concur in any action which would have the effect of amending, abrogating, assigning or waiving the Subsidiary Agreement.
- (b) The Subsidiary Agreement shall include a provision stipulating that in the case of conflict between the Subsidiary Agreement and this Agreement, the latter shall apply.
2. The Recipient shall exercise its rights under the Subsidiary Agreement in such manner as to protect the interests of the Recipient and the World Bank and to accomplish the purposes of the Advance. Except as the World Bank shall otherwise agree, the Recipient shall not assign, amend, abrogate or waive the Subsidiary Agreement or any of its provisions.

B. Project Preparation Team

The Recipient shall maintain throughout the implementation of the Advance, the Project Preparation Team with a composition satisfactory to the World Bank, to be responsible for (a) the provision of strategic and policy guidance for Advance; (b) liaisoning between the two levels of Government; National and County Governments; (c) reviewing and approving Project plans including the priority of roads and activities to be included in the Project; (d) reviewing and approving project preparation reports; and (e) resolving bottlenecks particularly of a policy and institutional nature that would otherwise hinder the smooth preparation of the Project.

2.04. **Monitoring, Reporting and Evaluation of the Activities.** The Recipient shall monitor and evaluate the progress of the Activities in accordance with the provisions of Section 2.08 of the Standard Conditions.

2.05. **Financial Management.** (a) The Recipient shall ensure that a financial management system is maintained in accordance with the provisions of Section 2.09 of the Standard Conditions.

(b) The Recipient shall ensure that interim un-audited financial reports for the Activities are prepared and furnished to the World Bank not later than forty five days after the end of each calendar quarter, covering the quarter, in form and substance satisfactory to the World Bank.

(c) The Recipient shall cause KeRRA to have its Financial Statements audited in accordance with the provisions of Sections 2.09 (b) of the Standard Conditions.

(i) If, on or before the Refinancing Date, a Refinancing Agreement has been executed by all of its parties, the Recipient shall have the Financial Statements included in the first audit of financial statements required under the Refinancing Agreement.

(ii) If, by the Refinancing Date, no Refinancing Agreement has been executed by all of its parties, such audit of the Financial Statements shall cover the period of the Advance, commencing with the fiscal year in which the first withdrawal under the Advance was made. The audited Financial Statements for such period shall be furnished to the World Bank not later than six months after the end of the Recipient's fiscal year in which the Refinancing Date occurs.

(iii) Notwithstanding the provisions of paragraphs (i) and (ii) of this Section, the World Bank may request an audit of the Financial Statements prior to the Refinancing Date, covering such period as is indicated in its request. The audited Financial Statements for such period shall be furnished to the World Bank not later than six months after the end of such period.

2.06. **Procurement**

(a) General. All goods, non-consulting services and consultants' services required for the Activities and to be financed out of the proceeds of the Advance shall be procured in accordance with the requirements set forth or referred to in:

(i) Section I of the “Guidelines: Procurement of Goods, Works and Non-consulting Services under IBRD Loans and IDA Credits and Grants by World Bank Borrowers” dated January 2011 and revised in July 2014 (“Procurement Guidelines”), in the case of good and non-consulting services;

(ii) Sections I and IV of the “Guidelines: Selection and Employment of Consultants under IBRD Loans and IDA Credits and Grants by World Bank Borrowers” dated January 2011 and revised in July 2014 (“Consultant Guidelines”) in the case of consultants’ services; and

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

(b) Definitions. The capitalized terms used in the following paragraphs of this Section to describe particular procurement methods or methods of review by the World Bank of particular contracts, refer to the corresponding method described in Sections II and III of the Procurement Guidelines, or Sections II, III, IV and V of the Consultant Guidelines, as the case may be.

(c) Particular Methods of Procurement of Goods and Non-consulting Services

(i) Except as otherwise provided in sub-paragraph (ii) below, goods and non-consulting services shall be procured under contracts awarded on the basis of International Competitive Bidding.

(ii) The following methods, other than International Competitive Bidding, may be used for procurement of goods and non-consulting services for those contracts specified in the Procurement Plan: (A) Shopping; (B) Direct Contracting; and (C) National Competitive Bidding, subject to the following additional provisions:

- 1) The tender submission deadline shall be set so as to allow a period of at least 30 days from the later of (A) the date of advertisement, and (B) the date of availability of the tender documents.
- 2) The Recipient-owned enterprises shall be allowed to participate in the tendering only if they can establish that they are legally and financially autonomous, operate under commercial law, and are an independent agency of the Recipient.
- 3) The Recipient shall use, or cause to be used, bidding documents and tender documents (containing, inter alia, draft contracts and conditions of contracts, including provisions on fraud and corruption, audit, and publication of award) in form and substance satisfactory to the World Bank.

- 4) Evaluation of tender shall be based on quantifiable criteria expressed in monetary terms as defined in the tender documents. It shall not be based on merit points system.
- 5) No domestic preference shall be used in the evaluation of tenders. Therefore, as a result of the non-application of PPADA Sections 80 and 86(2) and Sections 155, contracts shall be awarded to qualified tenderers having submitted the lowest-evaluated substantially responsive tender.
- 6) Notification of contract award shall constitute formation of the contract. No negotiations shall be carried out prior to contract award.

(d) Particular Methods of Procurement of Consultants' Services

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

(ii) The following methods may be used for the procurement of consultants' services for those assignments which are specified in the Procurement Plan: (A) Quality-based Selection; (B) Least Cost Selection; (C) Selection Based on Consultants Qualifications; (D) Selection of Individual Consultants; (E) Single Source Selection of consulting firms; and (F) Sole Source procedures for selection of Individual Consultants.

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

Article III Withdrawal of the Advance

3.01. ***Eligible Expenditures.*** The Recipient may withdraw the proceeds of the Advance in accordance with the provisions of: (a) Article III of the Standard Conditions; (b) this Section; and (c) such additional instructions as the World Bank may specify by notice to the Recipient (including the "World Bank Disbursement Guidelines for Projects" dated May 2006, as revised from time to time by the World Bank and as made applicable to this Agreement pursuant to such instructions), to finance Eligible Expenditures as set forth in the following table. The table specifies each category of Eligible Expenditures that may be financed out of the proceeds of the Advance ("Category"), the amount of the Advance allocated to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category:

Category	Amount of the Advance Allocated (expressed in Dollars)	Percentage of Expenditures to be Financed (inclusive of Taxes)
Goods, Training, Operating Costs, non-consulting services and consultants' services under the Activities	2,000,000	100%
TOTAL AMOUNT	2,000,000	

For the purpose of this section the terms:

- (a) "Training" means the reasonable costs associated with training and workshop participation under the Activities, consisting of travel and subsistence costs for Training participants, costs (other than consulting services) associated with securing the services of trainers and presenters, rental of training facilities, translation and interpretation services, preparation and reproduction of training materials; and
- (b) "Operating Costs" means the incremental operating expenses incurred by the Recipient and KeRRA on account of the implementation of the Activities, management and monitoring including on account of operation and maintenance costs of office and office equipment; office supplies, additional staff costs, travel and supervision costs, *per diem*, but excluding the salaries and indemnities of officials and public servants of the Recipient's civil service.

3.02. **Withdrawal Conditions.** Notwithstanding the provisions of Section 3.01 of this Agreement, no withdrawal shall be made for payments made prior to the date of countersignature of this Agreement by the Recipient.

3.03. **Refinancing Date.** The Refinancing Date is March 31, 2017.

**Article IV
Terms of the Advance**

4.01. **Service Charge.** The Recipient shall pay a service charge on the Withdrawn Advance Balance at the rate of three-fourths of one percent (3/4 of 1%) per annum. The service charge shall accrue from the respective dates on which amounts of the Advance are withdrawn and shall be paid in arrears in accordance with the provisions of Section 4.02 of this Agreement. Service charges shall be computed on the basis of a 360-day year of twelve 30-day months.

4.02. **Repayment.** The Withdrawn Advance Balance shall be repaid by the Recipient to the World Bank (together with any service charges accrued thereon) in accordance with the provisions of Article IV of the Standard Conditions and the following provisions:

(a) *Refinancing under the Refinancing Agreement:* If, on or before the Refinancing Date, a Refinancing Agreement has been executed by all of its parties, then the full amount of the Withdrawn Advance Balance shall be repaid to the World Bank (together with any service charges accrued on the Advance to the date of repayment) as soon as the Refinancing Agreement becomes effective, by means of a withdrawal by the World Bank of an amount of the Refinancing Proceeds equivalent to the Withdrawn Advance Balance plus such service charges, in accordance with the provisions of the Refinancing Agreement.

(b) *Repayment in the absence of a Refinancing Agreement:* If, on or before the Refinancing Date, no Refinancing Agreement has been executed by all of its parties, or if, by such date or at any time thereafter, it has been so executed but terminates without becoming effective, then:

- (i) if the amount of the Withdrawn Advance Balance does not exceed \$50,000, it shall be repaid by the Recipient to the World Bank (together with service charges accrued on the Withdrawn Advance Balance to the date of repayment) on such date as the World Bank shall specify in a notice to the Recipient, which shall in no event be earlier than 60 days following the date of dispatch of such notice; and
- (ii) if the amount of the Withdrawn Advance Balance exceeds \$50,000, it (together with service charges accrued on the Withdrawn Advance Balance to the Notice Date) (the "Aggregate Balance") shall be paid by the Recipient to the World Bank in ten approximately equal semiannual installments, in the amounts and on the dates ("Payment Dates") which the World Bank shall specify in a notice to the Recipient. In no event shall the first Payment Date be set earlier than 60 days following the date ("Notice Date") of dispatch of such notice. The Recipient shall pay a service charge on the Aggregate Balance at the rate of three-fourths of one percent ($3/4$ of 1%) per annum, payable in arrears on each Payment Date. The service charge shall be computed on the basis of a 360-day year of twelve 30-day months.

Article V **Effectiveness; Termination**

5.01 This Agreement shall not become effective until evidence satisfactory to the World Bank has been furnished to the World Bank that the condition specified below have been satisfied:

The Subsidiary Agreement referred to in Section 2.03 A of this Annex has been executed on behalf of the Recipient and the KeRRA.

5.02 Except as the Recipient and the World Bank shall otherwise agree, this Agreement shall enter into effect on the date upon which the World Bank dispatches to the Recipient notice of its acceptance of the evidence required pursuant to Section 5.01 ("Effective Date"). If, before the Effective Date, any event has occurred which would have entitled the World Bank to suspend the right of the Recipient to make withdrawals from the Advance Account if this Agreement had been effective, the World Bank may postpone the dispatch of the notice referred to in this Section until such event (or events) has (or have) ceased to exist.

5.03. *Termination for Failure to Become Effective.* This Agreement and all obligations of the parties under it shall terminate if it has not entered into effect by the date 90 days after the date of this Agreement, unless the World Bank, after consideration of the reasons for the delay, establishes a later date for the purpose of this Section. The World Bank shall promptly notify the Recipient of such later date.

Article VI
Recipient's Representative; Addresses

6.01. *Recipient's Representative.* The Recipient's Representative referred to in Section 9.02 of the Standard Conditions is the Cabinet Secretary.

6.02. *Recipient's Address.* The Recipient's Address referred to in Section 9.01 of the Standard Conditions is:

The National Treasury
P.O. Box 30007
Treasury Building, Harambee Avenue
Nairobi, Kenya

Cable:	Telex:	Facsimile:
2252299	22921	2252299

6.03. *World Bank's Address.* The World Bank's Address referred to in Section 9.01 of the Standard Conditions is:

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

Cable:	Telex:	Facsimile:
INDEVAS Washington, D.C.	248423 (MCI) or 64145 (MCI)	1-202-477-6391