

**OFFICIAL
DOCUMENTS**

CREDIT NUMBER 5587-KE

Project Agreement

(Electricity Modernization Project)

between

INTERNATIONAL DEVELOPMENT ASSOCIATION

and

RURAL ELECTRIFICATION AUTHORITY

Dated 29 JUNE ,2015

CREDIT NUMBER 5587-KE

PROJECT AGREEMENT

AGREEMENT dated 29 JUNE, 2015, entered into between INTERNATIONAL DEVELOPMENT ASSOCIATION ("Association") and RURAL ELECTRIFICATION AUTHORITY ("Project Implementing Entity") ("Project Agreement") in connection with the Financing Agreement ("Financing Agreement") of same date between the REPUBLIC OF KENYA ("Recipient") and the Association. The Association and the Project Implementing Entity hereby agree as follows:

ARTICLE I — GENERAL CONDITIONS; DEFINITIONS

- 1.01. The General Conditions (as defined in the Appendix to the Financing 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 Financing Agreement or the General Conditions.

ARTICLE II — PROJECT

- 2.01. The Project Implementing Entity declares its commitment to the objectives of the Project. To this end, the Project Implementing Entity shall carry out Part C.2 of the Project in accordance with the provisions of Article IV of the General Conditions, and shall provide promptly as needed, the funds, facilities, services and other resources required for Part C.2 of the Project.
- 2.02. Without limitation upon the provisions of Section 2.01 of this Agreement, and except as the Association and the Project Implementing Entity shall otherwise agree, the Project Implementing Entity shall carry out Part C.2 of the Project in accordance with the provisions of the Schedule to this Agreement.

ARTICLE III — TERMINATION

- 3.01. For purposes of Section 8.05(c) of the General Conditions, the date on which the provisions of this Agreement shall terminate is twenty years after the date of this Agreement.

ARTICLE IV — REPRESENTATIVE; ADDRESSES

4.01. The Project Implementing Entity's Representative is Chief Executive Officer.

4.02. The Association's Address is:

International Development Association
1818 H Street, NW
Washington, DC 20433
United States of America

Cable:

Telex:

Facsimile:

INDEVAS
Washington, D.C.

248423(MCI)

1-202-477-6391

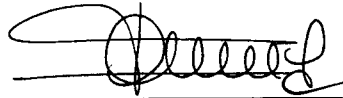
4.03. The Project Implementing Entity's Address is:

Kawi House
Off Mombasa Road, Bellevue South C, Red Cross Road
PO Box 34585-00100
Nairobi
Kenya

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

INTERNATIONAL DEVELOPMENT ASSOCIATION

By



Authorized Representative

Name: DIARLETDU GATE

Title: COUNTRY DIRECTOR

RURAL ELECTRIFICATION AUTHORITY

By



Authorized Representative

Name: NGANGA MUNYU

Title: CHIEF EXECUTIVE OFFICER

SCHEDULE

Execution of Part C.2 of the Project

Section I. Implementation Arrangements

A. Institutional Arrangements

1. The Project Implementing Entity shall establish by no later than two months after the Effective Date, and maintain until the completion of the Project, a Project Implementation Unit (PIU), comprising a Project coordinator, a design engineer, a renewable energy specialist, a generation engineer, two procurement experts, six supervision engineers, a lawyer, two accountants, an environmental specialist, a social specialist, a wayleaves officer, a property officer, a monitoring and evaluation officer, and any other specialists as may be required for the effective implementation of Part C.2 of the Project in each case with terms of reference, qualifications and experience satisfactory to the Association.
2. The Project Implementing Entity shall vest the PIU with responsibility for undertaking all procurement, contract management, financial management of Project funds, preparation of progress reports, updating of Project costs, preparation of procurement and financing plans.
3. The Project Implementing Entity shall:
 - (a) appoint a transaction advisor to provide specialist expertise to the PIU in the areas of structured finance, undertake bid documents preparation, procurement and contract negotiations with the independent power producers to develop the mini-grids generation systems; and carry out project supervision of the mini-grids generation systems; and
 - (b) duly reconstitute its Board Audit Committee, with the appointment of all its members, and ensure that said Committee meets regularly to provide effective oversight to its internal systems and controls.
4. The Project Implementing Entity shall carry out the activities under Part C.2 of the Project, in accordance with the REA Implementation Manual.

B. Anti-Corruption

1. The Project Implementing Entity shall ensure that Part C.2 of the Project is carried out in accordance with the provisions of the Anti-Corruption Guidelines.

C. Environmental and Social Safeguards

1. The Project Implementing Entity shall carry out Part C.2 of the Project in accordance with Safeguard Frameworks and the Safeguard Instruments. To that end, if any activity would, pursuant to the relevant Safeguard Framework, require the preparation of a Safeguard Instrument, the Project Implementing Entity 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; (b) disclosed following approval of the Association; and (c) all measures required to be taken thereunder prior to the commencement of said 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 Project Implementing Entity shall not amend or waive any provision of the Safeguard Instruments.
2. The Project Implementing Entity shall in its progress reports to the MOEP include progress made in compliance with environmental and social safeguard measures under Part C.2 of the Project, giving details of measures taken in furtherance of the environmental and social safeguard and any conditions which interfere or threaten to interfere with the smooth implementation of the said plans and frameworks, and remedial measures taken or required to be taken to address such conditions.
3. The Project Implementing Entity shall ensure that all advisory, analytical, planning, institutional capacity building, strategizing and such other services carried out under Part C.2 of 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.

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports

1. The Project Implementing Entity shall monitor and evaluate the progress of Part C.2 of the Project and prepare Project Reports for Part C.2 of the Project in accordance with the provisions of Section 4.08 of the General Conditions and on the basis of the indicators acceptable to the Association. Each such Project Report shall cover the period of one calendar semester, and shall be furnished to the Recipient not later than two weeks after the end of the period covered by such report for incorporation and forwarding by the Recipient to the Association of the overall Project Report.

2. The Project Implementing Entity shall provide to the Recipient not later than four months after the Closing Date, for incorporation in the report referred to in Section 4.08(c) of the General Conditions all such information as the Recipient or the Association shall reasonably request for the purposes of such Section.

B. Financial Management, Financial Reports and Audits

1. The Project Implementing Entity shall 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 and financial condition of the Project Implementing Entity, including the operations, resources and expenditures related to Part C.2 of the Project.
2. The Project Implementing Entity shall have its financial statements referred to above audited by independent auditors acceptable to the Association, in accordance with consistently applied auditing standards acceptable to the Association. Each audit of these financial statements shall cover the period of one fiscal year of the Project Implementing Entity. The Project Implementing Entity shall ensure that the audited financial statements and management letter for each period shall be: (a) furnished to the Recipient and the Association not later than six months after the end of the period; and (b) made publicly available in a timely fashion and in a manner acceptable to the Association.

Section III. Procurement

1. All goods, works and services required for Part C.2 of the Project and to be financed out of the proceeds of the Financing shall be procured in accordance with the provisions of Section III of Schedule 2 to the Financing Agreement.