

CREDIT NUMBER 5717-KE

Financing Agreement

(Kenya Statistics Program-For-Results)

between

REPUBLIC OF KENYA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated 2nd October, 2015

CREDIT NUMBER 5717-KE

FINANCING AGREEMENT

AGREEMENT dated this 2nd day October, 2015, 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 thirty-five million six hundred thousand Special Drawing Rights (SDR 35,600,000) (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 III of Schedule 2 to this Agreement.
- 2.03. The Maximum Commitment Charge Rate payable by the Recipient on the Unwithdrawn Financing Balance shall be one-half of one percent (1/2 of 1%) per annum.
- 2.04. The Service Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to three-fourths of one percent (3/4 of 1%) per annum.
- 2.05. The Payment Dates are April 15 and October 15 in each year.
- 2.06. The principal amount of the Credit shall be repaid in accordance with the repayment schedule set forth in Schedule 3 to this Agreement.
- 2.07. The Payment Currency is Dollar.

ARTICLE III — PROGRAM

- 3.01. The Recipient declares its commitment to the objective of the Program. To this end, the Recipient shall carry out and cause the Program to be carried out by the Program Implementing Entity in accordance with the provisions of Article IV of the General Conditions and the Program 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 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 the Program Implementing Entity's Legislation has been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of the Program Implementing Entity to perform any of its obligations under the Program Agreement.
- 4.02. The Additional Event of Acceleration consists of the following, namely that the event specified in Section 4.01 of this Agreement occurs.

ARTICLE V — EFFECTIVENESS; TERMINATION

- 5.01. The Additional Condition of Effectiveness consists of the following, namely that the Subsidiary Agreement has been executed on behalf of the Recipient and the Program Implementing Entity.
- 5.02. The Additional Legal Matter consists of the following, namely that the Subsidiary Agreement has been duly authorized or ratified by the Recipient and the Program Implementing Entity and is legally binding upon the Recipient and the Program Implementing Entity in accordance with its 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 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
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

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

AGREED at 2nd October, 2015, as of the day and year first above written.

REPUBLIC OF KENYA

By

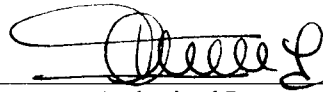


Authorized Representative

Name: HENRY K. ROTICH
Title: CABINET SECRETARY
NATIONAL TREASURY

INTERNATIONAL DEVELOPMENT ASSOCIATION

By



Authorized Representative

Name: Dharinetou Faye
Title: Country Director

SCHEDULE 1

Program Description

The objectives of the Program is to support the Kenya National Bureau of Statistics to generate better and more accessible data to inform policy-makers and contribute to strengthening its capacity.

The Program shall finance eligible activities aimed at achieving the following results:

- (a) Data gaps filled and capacity strengthened through the implementation of integrated survey programs;
- (b) Quality of key official statistical products and processes improved;
- (c) Dissemination practices strengthened and access to data improved; and
- (d) Management systems strengthened.

SCHEDULE 2

Program Execution

Section I. Implementation Arrangements

A. Program Fiduciary, Environmental and Social Systems

Without limitation on 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 may be, all through an informed decision-making process.

B. Anti-Corruption

Without limitation on 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. Subsidiary Agreement

1. To facilitate the carrying out of the Program, the Recipient shall make the proceeds of the Financing available to the Program Implementing Entity under a subsidiary agreement between the Recipient and the Program Implementing Entity, under terms and conditions approved by the Association (“Subsidiary Agreement”).
2. The Recipient shall exercise its rights under the 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 Subsidiary Agreement or any of its provisions.

D. Other Program Institutional and Implementation Arrangements

1. Without limitation on the generality of Part A of this Section I, the Recipient shall, through the Program Implementing Entity, carry out the Action Plan, in accordance with the schedule set out in the said Action Plan in a manner satisfactory to the

Association. Except as the Association may agree after consultation with the Recipient, the Recipient shall ensure that the Action Plan is not amended, waived, suspended, terminated or abrogated, by the Program Implementing Entity.

2. The Recipient shall cause the Program Implementing Entity to carry out the different activities of the Program in accordance with the provisions of the Program Coordination Manual and a time frame satisfactory to the Association. Except as the Association may agree after consultation with the Recipient, the Recipient shall not amend, waive, suspend, terminate or abrogate the Program Coordination Manual or any provision thereof.
3. Without limitation on the generality of Part A of this Section I, the Recipient shall:
 - (a) provide adequate budget for the KNBS for the implementation of the Program and reflect in the printed estimates and Medium Term Expenditure Framework (MTEF) the required resources consistent with the annual program based budget submissions for FY2015/16 upto FY2019/20; and
 - (b) ensure that the funds budgeted in the Recipient's agreed KNBS program based budget submissions and included in the printed estimates are released to KNBS at agreed timelines and in the full amount.
4. For the purpose of providing oversight to the Program, the Recipient shall:
 - (a) establish, by no later than three months after the Effective date, and maintain thereafter, a Program Steering Committee (PSC) to be chaired by the Principal Secretary of the Recipient's State department responsible for Planning, and comprising of the Principal Secretary of the National Treasury, the Director General of the KNBS, and any other members who may be co-opted by the PSC. Said PSC shall be vested with the responsibility of overseeing the progress and effectiveness of the Program, monitoring the achievement of results, ensuring adequate budget provision for the full duration of the Program, and providing policy direction; and
 - (b) appoint at the National Treasury, before the first meeting of the PSC, a focal point to facilitate the inter-agency coordination and help in addressing any emerging cross-cutting issues.

Section II. Program Monitoring, Reporting and Evaluation; Audits

A. Program Reports

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 calendar year, and shall be furnished to the Association not later than two months after the end of the period covered by such report.

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, through the PIE, 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 six months after the end of such period.

Section III. 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 to: (a) repay the Preparation Advance; and (b) finance the Program Expenditures, on the basis of the results (“Disbursement Linked Results” or “DLRs”) achieved by the Recipient or the Program Implementing Entity, as measured against specific indicators (“Disbursement Linked Indicators” or “DLIs”); all as set forth in the table in paragraph 2 of this Part A.
2. The following table specifies each category of withdrawal of the proceeds of the Financing (including the Disbursement Linked Indicators as applicable) (“Category”), the Disbursement Linked Results for each Category (as applicable), and the allocation of the amounts of the Financing to each Category:

Category (including Disbursement Linked Indicator as applicable)	Disbursement Linked Result (as applicable)	Disbursement Calculation Formula	Amount of the Financing Allocated (expressed in SDR)
<p>(1) DLI #1: Implementation of an integrated program of economic surveys to fill National Accounts source data gaps.</p>	<p>1.1 Micro and small enterprises (MSE) survey conducted, report produced and available on-line; 1.2 Establishment census conducted, report produced and available on-line; 1.3 Integrated Survey of Services (ISS) conducted, report produced and available on-line; and 1.4 2018 Survey of Industrial Production (SIP) conducted, report produced and available on-line.</p>	<p>SDR, 2,492,000 for each DLR</p>	<p>9,968,000</p>
<p>(2) DLI #2: Implementation of an integrated program of household surveys to fill key poverty, labor and socio-economic data gaps.</p>	<p>2.0 Design the 2015/16 Kenya Integrated Household Budget Survey (KIHBS) instruments, conduct pilot, and start fieldwork by September 2015; 2.1 KIHBS 2015/16 fieldwork partly conducted and progress report produced and available on-line; 2.2 KIHBS 2015/16 poverty report and labor indicators reports produced and available on-line; 2.3 Kenya Continuous Household Survey (KCHS) 2017 fieldwork conducted and quarterly labor indicators report produced and available on-line; and</p>	<p>SDR 4,272,000 for DLR 2.0; and SDR 1,780,000 for DLR 2.1 to DLR 2.4</p>	<p>11,392,000</p>

	2.4 KCHS 2018 fieldwork conducted and County poverty report produced and available on-line.		
(3) DLI #3: Strengthening of capacity to produce better real sector economic data.	3.0 Revised National Accounts with base year updated to 2009 produced and published; 3.1 Foreign Investment Survey (FIS) conducted and report produced and available on-line; 3.2 Business register upgraded and updated; 3.3 Rebased Consumer Price Index (CPI) series produced and available on-line; and 3.4 Rebased Producer Price Index (PPI) series produced and available on-line	SDR 712,000 for DLR 3.0; and SDR 1,068,000 for DLR 3.1 to DLR 3.4	4,984,000
(4) DLI #4: Compilation of the IMF Data Quality Assessment Framework (DQAF) for five macro-economic datasets.	4.1 DQAF compiled and published for 1 macro-economic dataset; 4.2 DQAF compiled and published for 2 macro-economic datasets; 4.3 DQAF compiled and published for 3 macro-economic datasets; 4.4 DQAF compiled and published for 4 macro-economic datasets; and 4.5 DQAF compiled and published for 5 macro-economic datasets.	SDR 356,000 for DLR 4.1 to DLR 4.4; and SDR 712,000 for DLR 4.5	2,136,000
(5) DLI #5: Development of an Advance Release Calendar (ARC) and scale-up data coverage.	5.0 All past Economic Survey Reports digitized and made freely available on-line;	SDR 712,000 for DLR 5.0;	3,204,000

	<p>5.1 An ARC covering up 2 data categories of the Special Data Dissemination Standard (SDDS) developed and published;</p> <p>5.2 An ARC covering up 4 data categories of the SDDS developed and published;</p> <p>5.3 An ARC covering up 6 data categories of the SDDS developed and published;</p> <p>5.4 An ARC covering up 8 data categories of the SDDS developed and published; and</p> <p>5.5 An ARC covering up 10 data categories of the SDDS developed and published.</p>	<p>SDR 356,000 for DLR 5.1 to 5.4; and</p> <p>SDR 1,068,000 for DLR 5.5</p>	
<p>(6) DLI #6: Improvement of access to official household survey microdata.</p>	<p>6.0 Kenya National Data Archive (KeNADA) with microdata from at least 30 surveys launched;</p> <p>6.1 Revised microdata dissemination policy produced, adopted and published;</p> <p>6.2 Micro and Small Enterprise (MSE) survey microdata available on-line;</p> <p>6.3 KIHBS 2015/16 microdata available on-line;</p> <p>6.4 KCHS 2017 microdata available on-line; and</p> <p>6.5 KCHS 2018 microdata available on-line.</p>	<p>SDR 712,000 for DLR 6.0; and</p> <p>SDR 356,000 for DLR 6.1 to DLR 6.5</p>	<p>2,492,000</p>

(7) DLI #7: Implementation of the Corruption Risk Assessment (CRA) action plan and strengthen financial management, and records management (RM) systems.	7.0 CRA conducted and endorsed action plan prepared by KNBS and implementation completed; 7.1 A FMIS with multi-dimensional chart of accounts and capability to generate key reports designed and operationalized; and 7.2 An ISO 15489 certified RM system established	SDR 712,000 for DLR 7.0; SDR 356,000 for DLR 7.1 and DLR 7.2	1,424,000
TOTAL AMOUNT			35,600,000

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, except that withdrawals up to an aggregate amount not to exceed SDR 7,120,000 may be made for such payments made prior to this date but on or after May 21, 2014; and
 - (b) for any DLR, until and unless the Recipient and the PIE have furnished evidence satisfactory to the Association that said DLR has been achieved, including verification reports from the Verification Agent, based on reports prepared by the Recipient and the PIE certifying the achievement of the DLRs in accordance with procedures and arrangements and verification protocols satisfactory to the Association.
2. Notwithstanding the provisions 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 Financing authorized for disbursement 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.

3. Notwithstanding the provisions of Part B.1(b) of this Section, if the Association is not satisfied that any of the DLRs under any of the Categories has been achieved by the date by which the said DLR is set to be achieved, and/or the allocated Financing of such DLRs has/ have not been fully withdrawn the Association may, at any time, by notice to the Recipient, decide, in its sole discretion, to: (a) authorize the withdrawal of such lesser amount of the unwithdrawn proceeds of the Financing then allocated to said Category which, in the opinion of the Association, corresponds to the extent of achievement of said DLR, said lesser amount to be calculated in accordance with the formula set out in the third column of the Table above; (b) reallocate all or a portion of the proceeds of the Financing then allocated to said DLR to any other DLR; and/or (c) cancel all or a portion of the proceeds of the Financing then allocated to said DLR.
4. The Closing Date is December 31, 2020.
5. Notwithstanding the foregoing provisions of this Section III, 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 paid by the Recipient, exclusive of any such expenditures financed by any other financier or by the Association or the Association under any other loan, credit or grant, 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 April 15 and October 15, commencing October 15, 2021 to and including April 15, 2053	1.5625%

* 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. "Action Plan" means the Recipient's Program Action Plan referred to in Section I.D.1 of Schedule 2 to this Agreement, as may be amended from time to time with the agreement of the Association.
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. "Category" means a category set forth in the table in Section III.A.2 of Schedule 2 to this Agreement.
4. "CRA" means the Recipient's Corruption Risk Assessment Action Plan aimed at Strengthening the financial management, filing and procurement systems.
5. "County" means a devolved government structure established under Article 176 of the Recipient's Constitution of 2010.
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 III.A.2 of Schedule 2 to this Agreement.
7. "Disbursement Linked Result" or "DLR" means in respect of a given Category, the result under said Category as set forth in the table in Section III.A.2 of Schedule 2 to this Agreement, on the basis of the achievement of which, the amount of the Financing allocated to said result may be withdrawn in accordance with the provisions of said Section III.
8. "Fiscal Year" or "FY" means the fiscal year of the Recipient and the PIE beginning on July 1 of a calendar year and ending on June 30 of the following calendar year.
9. "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.
10. "Program Agreement" means the agreement between the Association and the Program Implementing Entity (as hereinafter defined) of even date herewith, as the same may be amended from time to time, and such term includes all schedules and agreements supplemental to such Program Agreement.
11. "Program Coordination Manual" means the Manual dated July 23, 2015, adopted by the Recipient and the PIE setting out the details for implementing the Program, including the respective roles and responsibilities of the parties, as well as the

principles, methodology and arrangements for the verification of the DLIs and DLRs, and the preparation, implementation and evaluation of the Action Plan, and to be observed throughout the implementation of the Program.

12. “Program Fiduciary and Environmental and Social Systems” means the Recipient’s and Program Implementing Entity’s systems for the Program referred to in Section I.A of Schedule 2 to this Agreement and Section I.A of the Schedule to the Program Agreement.
13. “Program Implementing Entity”, “PIE” or “KNBS” means Kenya National Bureau of Statistics, established, pursuant to the Recipient’s Statistics Act of 2006, and the Executive Order No. 2/2013 on Organization of the Government of the Recipient, and mandated to: (i) act as the principal agency of the government for collecting, analysing and disseminating statistical data in the Recipient’s territory; (ii) act as custodian of official statistics; conduct the Population and Housing Census, and such other censuses and surveys as determined; (iii) maintain a comprehensive and reliable national socio-economic database; (iv) establish standards and promote the use of best practices and methods in the production and dissemination of statistical information across the national statistical system (NSS); and (v) plan, authorise, coordinate and supervise all official statistical programmes undertaken within the national statistical system.
14. “Program Implementing Entity’s Legislation” means Recipient’s Statistics Act No. 4 of 2006 and the Executive Order No. 2/2013 on Organization of the Government of the Recipient.
15. “Subsidiary Agreement” means the agreement referred to in Section I.C of Schedule 2 to this Agreement pursuant to which the Recipient shall make the proceeds of the Financing available to the Program Implementing Entity.
16. “Verification Agent” means any of the independent entities to be engaged by the PIE for the purposes of certifying the achievement of the DLRs as referred to in Section III.B.1 of Schedule 2 to this Agreement.

Section II. Modifications to the General Conditions

The modifications to the General Conditions are 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 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.”

10. Paragraph (d) of Section 6.03, Cancellation by the Association, entitled "Misprocurement", is deleted, and subsequent paragraphs are relettered accordingly.
11. 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.
12. 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.