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**OFFICIAL
DOCUMENTS**

CREDIT NUMBER 5638 - KE

Financing Agreement

(Eastern Africa Regional Transport, Trade and Development Facilitation Project)

between

REPUBLIC OF KENYA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated JULY 20, 2015

CREDIT NUMBER 5638 - KE

FINANCING AGREEMENT

AGREEMENT dated JULY 20, 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.
- 1.03. Notwithstanding any provision to the contrary in the General Conditions:
 - (a) each of the Project Implementing Entities shall be deemed to be a Project Implementing Entity for purposes of the General Conditions, regardless of whether or not it is party to a Project Agreement; and
 - (b) all references to obligations of a Project Implementing Entity under a Project Agreement shall be construed as references to obligations of the Project Implementing Entity arising under this Agreement and the relevant Subsidiary 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 three hundred sixty two million, five hundred thousand Special Drawing Rights (SDR 362,500,000) (variously, "Credit" and "Financing"), to assist in financing the project described in Schedule 1 to this Agreement ("Project").
- 2.02. The Recipient may withdraw the proceeds of the Financing in accordance with Section IV of Schedule 2 to this Agreement.
- 2.03. The Maximum Commitment Charge Rate payable by the Recipient on the Unwithdrawn Financing Balance shall be one-half of one percent (1/2 of 1%) per annum.
- 2.04. The Service Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to three-fourths of one percent (3/4 of 1%) per annum.

- 2.05. The Payment Dates are November 15 and May 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 — PROJECT

- 3.01. The Recipient declares its commitment to the objectives of the Project and the Program. To this end, the Recipient shall:
 - (a) carry out Parts 2(c), 3(a)ii, 3(a)iii, 3(b) and 3(c)i of the Project through the Ministry of Transport and Infrastructure; and
 - (b) cause Parts 1, 2(b), 3(a)i, 3(c)ii and 3(d) of the Project to be carried out by Kenya National Highway Authority (“KeNHA”), (ii) Part 2 (a) of the Project to be carried out by Kenya Revenue Authority (“KRA”), and (iii) Parts 4 and 3(a)iv of the Project to be carried out by Information and Communications Technology Authority (“ICTA”); all 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 Project is carried out in accordance with the provisions of Schedule 2 to this Agreement.
- 3.03. Except as the Recipient and the Association shall otherwise agree, the Recipient shall:
 - (a) open and thereafter maintain, for the duration of the Project, an account in Kenyan Shillings (“Project Account”), in a commercial bank on terms and conditions satisfactory to the Association into which it shall deposit its Counterpart Contribution for the cost of Part 1 of the Project.
 - (b) deposit into the Project Account an initial amount of ninety million Kenyan Shillings (“Initial Deposit”), and thereafter replenish the Project Account at quarterly intervals during the Project implementation, by depositing therein an amount equal to the amount of the Initial Deposit or such other amount as may be agreed from time to time between the Recipient and the Association;
 - (c) ensure that funds deposited into the Project Account in accordance with paragraph (b) of this Section shall be used exclusively to finance expenditures under Part 1 of the Project.

ARTICLE IV — REMEDIES OF THE ASSOCIATION

- 4.01. The Additional Events of Suspension consist of the following:
- (a) Any of the Project Implementing Entities' Legislation has been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of the corresponding Project Implementing Entity to perform any of its obligations under the applicable Project Agreement.
 - (b) In the opinion of the Association, a Border Representative has engaged in an action: (i) out of the scope of the trade facilitation objectives of the Project in connection with the use of works, goods or services financed by the Project; or (ii) that may have an adverse impact in the achievement of the objectives of the Project.
 - (c) The Recipient has suspended, rescinded, waived, terminated or failed to apply the Fiber Optic MOU or any of its provisions.
- 4.02. The Additional Events of Acceleration consist of the following, namely, any 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 Additional Conditions of Effectiveness consist of the following:
- (a) Each Subsidiary Agreement has been executed on behalf of the Recipient and of the Project Implementing Entity which is a party to such agreement, in accordance with the provisions of Section I.B of Schedule 2 to this Agreement.
 - (b) The Recipient has adopted the Project Implementation Manual, in accordance with the provisions of Section I.C.2 of Schedule 2 to this Agreement.
 - (c) The Recipient (through its Ministry of Transport and Infrastructure) and the Republic of South Sudan (through its ministry responsible for transport, roads and bridges) have exchanged letters on the arrangements for the upgrading and maintenance of the road section at the Kenya-South Sudan common border (11km stretch between Nadapal and Nakodok), all in form and substance satisfactory to the Association.
- 5.02. The Additional Legal Matter consists of the following, namely, that each Subsidiary Agreement has been duly authorized or ratified by the Recipient and a Project Implementing Entity which is a party to such agreement and is legally

binding upon the Recipient and the respective Project 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 (20) years after the date of this Agreement.

ARTICLE VI — REPRESENTATIVE; ADDRESSES

- 6.01. The Recipient's Representative is the Cabinet Secretary for the National Treasury.
- 6.02. The Recipient's Address is:

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

Cable address:	Telex:	Facsimile:
FINANCEnairobi	22921minfin-ke	+ (254) 20 330426

- 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 Nairobi, Republic of Kenya, as of the day and year first above written.

REPUBLIC OF KENYA

By

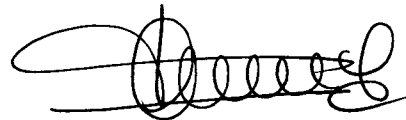


Authorized Representative

Name: HENRY ROTICH
Title: CABINET SECRETARY
NATIONAL TREASURY

INTERNATIONAL DEVELOPMENT ASSOCIATION

By



Authorized Representative

Name: DARLETOU GAYE
Title: COUNTRY DIRECTOR

SCHEDULE 1

Project Description

The objective of the Project is to improve the movement of goods and people along Lokichar – Nadapal/Nakodok part of the Eldoret-Nadapal road in the north western part of Kenya, in particular and to enhance connectivity between Kenya and South Sudan, in general.

The Project constitutes the second phase of the Program, and consists of the following parts:

Part 1: Upgrading Selected Critical Road Infrastructure

- (a) (i) Upgrading of approximately 88 km of the Kalobeiyei River – Nadapal/ Nakodok section of the Eldoret-Nadapal/Nakodok road; and (ii) related supervision costs.
- (b) (i) Upgrading of approximately 80 km of the Lokitaung junction - Kalobeiyei River section of the Eldoret-Nadapal/Nakodok road and (ii) related supervision costs.
- (c) (i) Upgrading of approximately 80 km of the Lokitaung junction - Lodwar section of the Eldoret-Nadapal/Nakodok road; and (ii) related supervision costs.
- (d) (i) Upgrading of approximately 50 km of the Lodwar – Loichangamatak section of the Eldoret-Nadapal/Nakodok road; and (ii) related supervision costs.
- (e) (i) Construction of a bridge at Kainuk on Muruni River; and (ii) related supervision costs.
- (f) Upgrading of approximately 40 km of the Loichangamatak - Lokichar section of the Eldoret-Nadapal/Nakodok road; and related supervision costs.
- (g) Implementing the Resettlement Action Plans (RAPs) along the Eldoret – Nadapal/Nakodok road.

Part 2: Facilitation of Regional Transport, Trade and Development

- (a) Carry out a program of activities designed to support KRA to implement transport, trade and development facilitation measures, such a program to include such activities as: (i) harmonization of customs and other border

management, risk management and control procedures; (ii) designing of a One Stop Border Post (OSBP) at Nadapal/Nakodok; (iii) strengthening of the cross-border management unit of KRA including enhancing its coordination with other border agencies; (iv) support the implementation of an integrated border management system; (v) support to the implementation of the Memorandum of Understanding (MoU) between Kenya Customs and South Sudan Customs Services relative to information exchange and use of common procedures; (vi) support the use of information and communication technology (ICT) for revenue collection and for facilitating clearance and release of goods to help Kenya Customs comply with new transparency requirement of e-citizen registration, electronic collection of revenue and e-reporting of clearances and release of goods.

- (b) Carry out a program of activities designed to support KeNHA to implement transport, trade and development facilitation measures, such a program to include such activities as: (i) carrying out a study to enhance social infrastructure and social services delivery, including HIV/AIDS prevention, along the corridor, while implementing the recommendations as part of the road upgrading contracts; (ii) designing the facilities and marketing system for pilot pastoralist road side markets; and (iii) establishing the facilities of pilot pastoralist road side markets, through provision of sites and services, clean water, extending electrification to selected centers, provision of market shades, milk cooler, slaughter houses, veterinary posts, livestock holding area in selected locations, connecting community information centers with fiber optic connection and advisory services in the management of these facilities and services. This subpart will also involve activities designed to support engagement with Project stakeholders such as county governments, communities and households (in particular female-headed households) on management and operational modalities of these facilities.
- (c) Carry out a program of activities designed to support Ministry of Transport and Infrastructure in conjunction with the Recipient's ministry responsible for commerce, to implement transport, trade and development facilitation measures, such a program to include such activities as: (i) identifying and designing potential sites for providing services to facilitate the development of export processing zones, storage facilities and rest stops; (ii) certifying export products; and (iii) simplifying the process for import-export.

Part 3: Institutional Development and Program Management

- (a) Carrying out a program of activities designed to strengthen the institutional capacities of entities involved in Project implementation including: (i) strengthening the capacity of KeNHA in road design review as well as contract management, value engineering, road maintenance, safeguards and procurement management; (ii) enhancing project management capacity, maintenance management and engineering capabilities in the transport sector through supporting the Kenyan Roads Board; Engineers Board of Kenya; Ministry of Transport and Infrastructure; Resource Mobilization Department (RMD) under the National Treasury; and State Law Office; (iii) supporting the Ministry of Transport and Infrastructure in the monitoring and evaluation of the projects; and (iv) strengthening project management capacity of ICTA.
- (b) Carrying out a program of activities designed to strengthen the capacity of National Transport and Safety Authority to implement the “Safe System”, such a program to include such activities as: (i) conducting needs assessment, vehicle safety inspection and safety audits; (ii) strengthening enforcement capability of the Authority; and (iii) assessing road safety on Lokichar-Eldoret section of the Eldoret-Nadapal/Nakodok Corridor as well as developing and carrying out of a pilot road safety action plan along the corridor.
- (c) (i) Provision of advisory services, Training and Operating Costs to Ministry of Transport and Infrastructure as required to sustain the management and coordination of Project implementation activities, including audits, and the monitoring and evaluation of progress achieved in the execution of the Project.
- (d) Provision of technical assistance to carryout preparatory studies to support the preparation of the next phase of the Program and develop follow-on regional transport and trade facilitations projects as well as bidding documents for long term performance-based road maintenance contracting.

Part 4: Enhancing Internet Connectivity

Construction of a fiber optic cable network, alongside the part of the Eldoret-Nadapal/Nakodok Corridor located in the Recipient’s territory, from Nadapal/Nakodok to Eldoret.

SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements

1. Joint Inter-Ministerial Steering Committee. The Recipient shall maintain, throughout the implementation of the Project, a joint inter-ministerial committee - to be co-chaired by Cabinet Secretary in the Ministry of Transport and Infrastructure and the minister of transport, roads and bridges of South Sudan - with mandate, composition and resources acceptable to the Association, to be responsible for, *inter alia*, Program coordination at the sub-regional level.
2. Project Oversight Committee. The Recipient shall maintain, throughout the implementation of the Project, a project oversight committee - to be co-chaired by the Principal Secretary (Infrastructure) and the Principal Secretary (Transport), both in the Ministry of Transport and Infrastructure - with mandate, composition and resources acceptable to the Association. The Committee shall be responsible for, *inter alia*: (a) providing strategic and policy guidance for Project implementation; (b) reviewing and approving annual work plans for the Project; and (c) reviewing Project financial reports.
3. Project Coordinator. The Ministry of Transport and Infrastructure shall appoint and maintain at all times during the implementation of the Project, a Project coordinator for overall coordination of the Project. The Project coordinator shall be the secretary to the Project Oversight Committee.
4. Project Management Teams.
 - (a) The Recipient shall maintain at all times during the implementation of the Project, Project Management Team at the Ministry of Transport and Infrastructure with staff (including a Project team leader, accountant, monitoring and evaluation specialist, procurement specialist and other technical staff) and with the terms of reference and resources satisfactory to the Association, to be responsible for overall coordination of Project implementation;
 - (b) The Recipient shall ensure that each Project Implementing Entity maintains at all times during the implementation of the Project, its Project Implementation Team each with staff (including a Project team leader, accountant, monitoring and evaluation specialist, procurement specialist, environmental specialist, social safeguards specialist and other technical staff) and with the terms of reference and resources satisfactory to the Association, to be responsible for overseeing the day-to-day implementation and management of its Respective Part of the Project.

B. Subsidiary Agreement

1. To facilitate the carrying out of each Project Implementing Entity's Respective Part of the Project, the Recipient shall make the proceeds of the Financing allocated from time to time: to Category (2) to KeNHA; to Category (3) to KRA; and to Category (4) to ICTA; in each case on a non-reimbursable grant basis under terms and conditions approved by the Association and pursuant to a subsidiary agreement between the Recipient and each Project Implementing Entity, ("Subsidiary Agreement"), which shall include the obligation for each of the Project Implementing Entity to:
 - (a) carry out its Respective Part of the Project with due diligence and efficiency and in conformity with sound technical, economic, financial, managerial, environmental and social standards and practices satisfactory to the Association, including the provisions of the Anti-Corruption Guidelines and the Safeguard Instruments and in accordance with the provisions of this Agreement; maintain at all times its Project Implementation Team with terms of reference, staffing and other resources acceptable to the Association; and provide promptly as needed, the funds, facilities, services and other resources required for its Respective Part of the Project;
 - (b) (i) procure all works, goods and services required for its Respective Part of the Project and to be financed out of the proceeds of the Financing in accordance with the provisions of Section III of this Schedule; and (ii) ensure that all such works, goods and services are used exclusively for the purposes of its Respective Part of the Project;
 - (c) (i) maintain records adequate to record the progress of its Respective Part (including its cost and the benefits to be derived from it), to identify the works, goods and services financed out of the proceeds of the Financing and disclose their use in its Respective Part of the Project; (ii) furnish such records and information as may be requested by the Recipient or the Association; and (iii) retain all records evidencing expenditures under its Respective Part of the Project for the period of time specified in the General Conditions;
 - (d) (i) maintain policies and procedures adequate to enable it to monitor and evaluate on an ongoing basis, in accordance with indicators acceptable to the Association, the progress of its Respective Part of the Project and the achievement of its objective; (ii) prepare periodic reports, in form and substance satisfactory to the Association, integrating the results of such monitoring and evaluation activities and setting out measures recommended to ensure the continued efficient and effective execution of its Respective Part of the Project, and to achieve its objectives, each such

report to cover one calendar quarter; (iii) furnish each such report to the Recipient within fifteen (15) days after the end of such period to enable the Recipient to incorporate such report in its Project Report for the same period and to comply with its reporting obligations under Section II of this Schedule 2; and (iv) prepare, and furnish to the Recipient a final report, of such scope and in such detail as the Association shall reasonably request, on the execution of its Respective Part of the Project, and furnish the same to the Recipient within three (3) months after the Closing Date to enable the Recipient to incorporate such report in its report and comply with its obligations under Section 4.08(c) of the General Conditions;

- (e) (i) 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 its operations and financial condition, including the operations, resources and expenditures related to its Respective Part of the Project; (ii) have such financial statements audited annually by independent auditors acceptable to the Association, in accordance with consistently applied auditing standards acceptable to the Association, each said audit to cover the period of one Fiscal Year; (iii) promptly furnish the audited financial statements for each such period to the Recipient and the Association, but in any event not later than six (6) months after the end of such period; (iv) ensure that said financial statements, as so audited, are made publicly available in a timely fashion on a manner acceptable to the Association; (v) prepare and furnish to the Recipient, not later than fifteen (15) days after the end of each quarter, interim unaudited financial reports relating to the previous quarter, in form and substance satisfactory to the Association, for consolidation in the interim unaudited financial reports required to be furnished by the Recipient to the Association; and (vi) furnish to the Association such other information concerning such unaudited financial statements as the Association may from time to time reasonably request; and
- (f) (i) open and maintain a dedicated Project account, until the completion of the Project, in a commercial bank on terms and conditions acceptable to the Association; and (ii) ensure that the funds deposited into said account shall be used exclusively to finance the cost of expenditures required for its Respective Part of the Project.

2. The Recipient shall carry out its obligations and exercise its rights under each 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 any Subsidiary Agreement or any of its provisions.

C Project Implementation Manual

1. The Recipient shall prepare, a Project implementation manual in form and substance satisfactory to the Association, containing detailed arrangements and procedures for implementation of the Project including *inter alia*: (a) delineation of roles and responsibility of various entities, institutions and agencies involved in Project implementation and their coordination; (b) disbursement, procurement and financial management including financial and technical audit of the Project; (c) environmental and social safeguards management; (d) Social Accountability measures and operation of grievance redress mechanism; (e) monitoring and evaluation, reporting and communication, including performance indicators; (f) governance and integrity improvement action plan; and (g) such other administrative, financial, technical and organizational arrangements and procedures as shall be required for the Project
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 (Project Implementation Manual or PIM).
3. The Recipient shall ensure that the Project is carried out in accordance with the arrangements and procedures set out in the PIM (provided, however, that in case of any conflict between the arrangements and procedures set out in the PIM 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 PIM or any of its provisions without prior approval in writing by the Association.

D. Anti-Corruption

The Recipient shall ensure that the Project is carried out in accordance with the provisions of the Anti-Corruption Guidelines.

E. Safeguards

1. The Recipient shall ensure that the Project is carried out in accordance with the provisions of the Safeguard Frameworks and any other Safeguard Instrument prepared or to be prepared by the Recipient in accordance with sub-paragraph 2 below.
2. Whenever a Safeguard Instrument shall be required for any proposed Project activity in accordance with the provisions of any Safeguard Framework, the Recipient shall:

- (a) prior to the commencement of such activity, proceed to have such Safeguard Instrument: (i) prepared in accordance with the provisions of the corresponding Safeguard Framework, as the case may be; (ii) furnished to the Association for review and approval; and (iii) thereafter adopted and disclosed as approved by the Association, in a manner acceptable to the Association;
 - (b) thereafter take such measures as shall be necessary or appropriate to ensure compliance with the requirements of such Safeguard Instrument; and
 - (c) in the case of any resettlement activity under the Project involving Affected Persons, ensure that no displacement (including restriction of access to legally designated parks and protected areas) shall occur before necessary resettlement measures consistent with the relevant RAP have been executed, including, in the case of displacement, full payment to Affected Persons of compensation and of other assistance required for relocation, prior to displacement.
3. The Recipient shall not amend, abrogate or waive, or permit to be amended, abrogated or waived, any Safeguard Framework or any Safeguard Instrument, unless the Association has provided its prior approval thereof in writing, and the Recipient has complied with the same consultation and disclosure requirements as applicable to the original adoption of the said instruments.
4. Without limitation on its other reporting obligations under this Agreement, the Recipient shall collect, compile and submit to the Association each calendar year (or at such other frequency as may be agreed with the Association) consolidated reports on the status of compliance with the Safeguard Frameworks and the Safeguard Instruments, as applicable, giving details of: (a) measures taken in furtherance of the said documents; (b) conditions, if any, which interfere or threaten to interfere with the smooth implementation of the said measures; and (c) remedial measures taken or required to be taken to address such conditions.

F. Annual Work Plans

1. The Recipient shall prepare and furnish to the Association not later than May 1st of each Fiscal Year during the implementation of the Project (beginning in calendar year 2016), a work plan and budget containing *inter alia*: (i) all activities proposed to be implemented under the Project during the following Fiscal Year; (ii) a proposed financing plan for expenditures required for such activities, setting forth the proposed amounts and sources of financing therefor and disbursement schedule; and (iii) the training plan for such period.
2. The Recipient shall ensure that in preparing any training plan proposed for inclusion in an annual work plan and budget it shall identify in the training plan:

- (i) the objective and content of the Training envisaged; (ii) the selection method of the institutions or individuals conducting such Training, and said institutions if already known; (iii) the expected duration and an estimate of the cost of said Training; and (iv) the selection method of the personnel who will attend the Training, and number and names of such personnel if already known.
3. The Recipient shall afford the Association a reasonable opportunity to exchange views with the Recipient on each such proposed annual work plan and budget and shall thereafter ensure that the Project is implemented with due diligence during said following Fiscal Year in accordance with such work plan and budget as shall have been approved by the Association (“Annual Work Plan”).
 4. The Recipient shall not make or allow to be made any changes to the approved Annual Work Plan without prior approval in writing by the Association.
 5. Without limitation on the provisions of Part F of this Section, the Recipient shall prepare and furnish to the Association the first proposed Annual Work Plan and required under the Project not later than one month after the Effective Date.

Section II. A. Project Monitoring, Reporting and Evaluation

1. The Recipient shall - and shall cause the Project Implementing Entities to - monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 4.08 of the General Conditions and on the basis of indicators acceptable to the Association. Each Project Report shall cover the period of one calendar year, and shall be furnished to the Association not later than sixty (60) days after the end of the period covered by such report.
2. Not later than June 30, 2018, the Recipient shall, in conjunction with the Association, carry out a mid-term review of the Project (the “Mid-term Review”), covering the progress achieved in the implementation of the Project. The Recipient shall prepare and furnish to the Association not less than three (3) months prior to the beginning of the Mid-term Review, a report integrating the results of the monitoring and evaluation activities performed pursuant to this Agreement, on the progress achieved in the carrying out of the Project during the period preceding the date of such report, and setting out the measures recommended to ensure the efficient carrying out of the Project and the achievement of the objective of the Project during the period following such date. Following the Mid-term Review, the Recipient shall act promptly and diligently in order to take, or cause to be taken, any corrective action deemed necessary by the Association to remedy any shortcoming noted in the carrying out of the Project in furtherance of the objective of the Project.

B. Financial Management, Financial Reports and Audits

1. The Recipient shall maintain and cause the Project Implementing Entities to maintain or cause to be maintained a financial management system in accordance with the provisions of Section 4.09 of the General Conditions. With respect to the Project Implementing Entities Respective Parts of the Project, the Recipient shall 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 Entities, including their operations, resources and expenditures related to the Project.
2. Without limitation on the provisions of Part A of this Section, the Recipient shall prepare and furnish - and shall cause the Project Implementing Entities to prepare and furnish - to the Association not later than forty-five (45) days after the end of each calendar quarter, interim unaudited financial reports for the Project covering the quarter, in form and substance satisfactory to the Association.
3. The Recipient shall have its Financial Statements audited - and shall cause the Project Implementing Entities to have their financial statements audited - in accordance with the provisions of Section 4.09 (b) of the General Conditions. Each audit shall cover the period of one fiscal year of the Recipient, commencing with the fiscal year in which the first withdrawal was made under the Preparation Advance for the Project. The audited Financial Statements - and Project Implementing Entities' audited financial statements - for each such period shall be furnished to the Association not later than six (6) months after the end of such period.

Section III. Procurement

A. General

1. **Goods, Works and Non-consulting Services.** All goods, works and non-consulting services required for the Project and to be financed out of the proceeds of the Financing shall be procured in accordance with the requirements set forth or referred to in Section I of the Procurement Guidelines, and with the provisions of this Section.
2. **Consultants' Services.** All consultants' services required for the Project and to be financed out of the proceeds of the Financing shall be procured in accordance with the requirements set forth or referred to in Sections I and IV of the Consultant Guidelines, and with the provisions of this Section.
3. **Definitions.** The capitalized terms used below in this Section to describe particular procurement methods or methods of review by the Association 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.

B. Particular Methods of Procurement of Goods, Works and Non-consulting Services

1. **International Competitive Bidding.** Except as otherwise provided in paragraph 2 below, goods, works and non-consulting services shall be procured under contracts awarded on the basis of International Competitive Bidding.
2. **Other Methods of Procurement of Goods, Works and Non-consulting Services.** The following methods, other than International Competitive Bidding, may be used for procurement of goods, works and non-consulting services for those contracts specified in the Procurement Plan:

(a)	Limited International Bidding
(b)	National Competitive Bidding, subject to the provisions set forth in paragraph 3 of this Section B
(c)	Shopping
(d)	Procurement under Framework Agreements in accordance with procedures which have been found acceptable to the Association
(e)	Direct Contracting
(f)	Procurement under Public Private Partnership Arrangements in accordance with procedures which have been found acceptable to the Association
(g)	Well-established Private Sector Procurement Methods or Commercial Practices which have been found acceptable to the Association
(h)	Procurement from UN Agency

3. The following additional provisions shall apply to National Competitive Bidding:
 - (a) The tender submission date shall be set at least thirty (30) days after the later of: (i) the date of advertisement; and (ii) the date of availability of the tender documents.
 - (b) 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 independent agencies of the Recipient's government.
 - (c) Bidding documents and tender documents shall contain, *inter alia*, draft contracts and conditions of contracts, including provisions on fraud and corruption, audit and publication of award and shall be in form and substance satisfactory to the Association.

- (d) Extension of tender validity shall be allowed once only, and for not more than thirty (30) days, unless otherwise previously agreed in writing by the Association.
- (e) Tender evaluation shall be based on quantifiable criteria expressed in monetary terms as defined in the tender documents, and not on a merit points system.
- (f) No domestic preference shall be used in the evaluation of tenders. Accordingly, contracts shall be awarded to qualified tenderers who have submitted the lowest evaluated substantially responsive tender.
- (g) Notification of contract award shall constitute formation of the contract. No negotiation shall be carried out prior to contract award.
- (h) The two envelope bid opening procedure shall not apply.

C. Particular Methods of Procurement of Consultants' Services

1. **Quality- and Cost-based Selection.** Except as otherwise provided in paragraph 2 below, consultants' services shall be procured under contracts awarded on the basis of Quality- and Cost-based Selection.
2. **Other Methods of Procurement of Consultants' Services.** The following methods, other than Quality- and Cost-based Selection, may be used for procurement of consultants' services for those contracts which are specified in the Procurement Plan:

Procurement Method	
(a)	Quality-based Selection
(b)	Selection under a Fixed Budget
(c)	Least-Cost Selection
(d)	Selection Based on Consultants Qualifications
(e)	Single-Source Selection of consulting firms
(f)	Well-established Private Sector Procurement Methods or Commercial Practices which have been found acceptable to the Association
(g)	Selection of consultants under Indefinite Delivery Contract or Price Agreement
(h)	Procedures set forth in paragraphs 5.2 and 5.3 of the Consultant Guidelines for the Selection of Individual Consultants
(i)	Single-source procedures for the Selection of Individual Consultants

D. Review by the Association of Procurement Decisions

The Procurement Plan shall set forth those contracts which shall be subject to the Association's Prior Review. All other contracts shall be subject to Post Review by the Association.

Section IV. Withdrawal of the Proceeds of the Financing

A. General

1. The Recipient may withdraw the proceeds of the Financing in accordance with the provisions of Article II of the General Conditions, this Section, and such additional instructions as the Association shall specify by notice to the Recipient (including the "World Bank Disbursement Guidelines for Projects" dated May 2006, as revised from time to time by the Association and as made applicable to this Agreement pursuant to such instructions), to finance Eligible Expenditures as set forth in the table in paragraph 2 below.
2. The following table specifies the categories of Eligible Expenditures that may be financed out of the proceeds of the Financing ("Category"), the allocations of the amounts of the Financing to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category:

Category	Amount of the Financing Allocated (expressed in SDR)	Percentage of Expenditures to be Financed (inclusive of Taxes)
1. Goods, works, non-consulting services, consultants' services, Training and Operating Costs for Parts 2(c), 3(a) ii, 3 (a) iii, 3 (b) and 3 (c)i of the Project - MoTI	7,200,000	100%
2 (a) Goods, works, non-consulting services, consultants' services and Training for Part 1(a) i, 1(b) i, 1(c) i, 1(d) i , 1(e)i, and 2 (b) iii of the Project - KeNHA	305,200,000	84%
2 (b) Goods, works, non-consulting services, consultants' services, Training and Operating Costs for Part 1 (a) ii, 1 (b) ii, 1 (c) ii, 1 (d) ii, 1 (e) ii, 2 (b) i, 2 (b) ii, 3 (a) i and 3 (c)ii and 3(d) of the Project - KeNHA	25,000,000	100%
3. Goods, works, non-consulting services, consultants' services, Training and Operating Costs for Part (2)a of the Project - KRA	5,800,000	100%
4. Goods, works, non-consulting services, consultants' services, Training and Operating Costs for Part(4) and 3 (a)iv of the Project - ICTA	18,500,000	100%
5. Refund of Preparation Advance	800,000	Amount payable pursuant to Section 2.07 of the General Conditions
TOTAL AMOUNT	362,500,000	

B. Withdrawal Conditions; Withdrawal Period

1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made:
 - (a) for payments made prior to the date of this Agreement; and
 - (b) under Category 2(a), unless the Recipient has deposited into the Project Account the Initial Deposit in accordance with Section 3.03 of this Agreement.
2. The Closing Date is December 31, 2021.

Section V. Other Undertakings

For the purpose of ensuring sustainability of investments made using the Financing proceeds, the Recipient shall provide - or cause to be provided - the funds, facilities services and other resources required to ensure proper maintenance of the upgraded road sections under the Project. To this end (and without limitation to the preceding sentence of this paragraph), the Recipient shall - not later October 15, 2020, - open a dedicated account in a commercial bank acceptable to the Association and deposit into such account an initial deposit in the amount of not less than three million United States Dollars (USD 3,000,000) and thereafter ensure that funds deposited into the account are used exclusively to finance maintenance of the said upgraded road sections.

SCHEDULE 3

Repayment Schedule

Date Payment Due	Principal Amount of the Credit repayable (expressed as a percentage)*
On each November 15 and May 15, commencing November 15, 2021, to and including May 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. “Affected Persons” means any person who, on account of the execution of the Project, has experienced or would experience direct economic and social impacts caused by: (a) the involuntary taking of land, resulting in: (i) relocation or loss of shelter; (ii) loss of assets or access to assets; or (iii) loss of income sources or means of livelihood, whether or not such person must move to another location; or (b) the involuntary restriction or access to legally designated parks and protected areas, resulting in adverse impacts on the livelihood of such person.
2. “Annual Work Plan” means the work plan and budget prepared annually by the Recipient and approved by the Association in accordance with Section I.F of Schedule 2 to this Agreement; and “Annual Work Plans” means more than one Annual Work Plan.
3. “Anti-Corruption Guidelines” means 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.
4. “Border Representative” means any person or entity acting as a legal representative of the Recipient and responsible for activities related to the supervision, monitoring and/or enforcement of the Recipient’s legal framework on trade, border management, customs and immigration.
5. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.
6. “Consultant Guidelines” means the “Guidelines: Selection and Employment of Consultants under IBRD Loans and IDA Credits and Grants by World Bank Borrowers” dated January 2011 (revised July 2014).
7. “Counterpart Contribution” means an amount equivalent to one hundred seventy two million United States Dollars (USD 176,000,000) to be made available by the Recipient for purpose of financing Part 1(f) and (g) of the Project.
8. “Eldoret-Nadapal/Nakodok Corridor” or “Corridor” mean the portion of approximately 595 kilometers of road starting from Juba, the capital of the Republic of South Sudan, passing through Torit, Lobira (at the road junction to the Republic of Uganda through Kitgum and Gulu), Kapoeta (at the road junction to the Federal Democratic Republic of Ethiopia and Republic of Djibouti through Boma), Nadapal/Nakodok, Lokichoggio, Lokichar, Lodwar, Marich Pass, Kitale-Laseru until Eldoret.

9. “Engineers Board of Kenya” and the acronym “EBK” mean the board established under the Engineers Act of 2011.
10. “Environmental and Social Impact Assessment” and the acronym “ESIA” mean each of the environmental and social impact assessments prepared and adopted by the Recipient for the Eldoret-Juba Corridor and disclosed in country and at Infoshop on February 10, 2015.
11. “ESMF” means the Recipient’s environmental and social management framework document - dated September 2013 and disclosed on infoshop on December 10, 2013 - setting forth the modalities for environmental screening and procedures/actions for the preparation and implementation of environmental and social assessments and management plans under the Project, and such term includes any schedule and/or annex to said framework.
12. “ESMP” means, for a given set of Project activities, an environmental and social management plan, in form and substance satisfactory to the Association, prepared by the Recipient in accordance with the ESMF pursuant to Section I.E of Schedule 2 to this Agreement; and “ESMPs” means, collectively, all such plans.
13. “Fiber Optic MOU” means the memorandum of understanding dated January 23, 2015 entered into between the Recipient and the Republic of South Sudan setting forth the terms and conditions for the cooperation between the Recipient and the Republic of South Sudan in relation to the construction of the fiber optic cable under Part 4 of the Project.
14. “Fiscal Year” and “FY” mean the twelve (12) month period starting July 1 and ending June 30 of the following year.
15. “General Conditions” means the “International Development Association General Conditions for Credits and Grants”, dated July 31, 2010.
16. “Information and Communications Technology Authority” and the acronym “ICTA” mean a body established and operating pursuant to the Recipient’s Information and Communications Technology Authority Order of 2013 (Legal Notice No. 183 of August 16, 2013) issued under the State Corporations Act Cap 446, or its legal successor thereto.
17. “Joint Inter-Ministerial Steering Committee” and the acronym “JIMC” mean the Project steering committee referred to in Section I.A.1 of Schedule 2 to this Agreement.
18. “Kenya Customs” means the customs services department of the Kenya Revenue Authority established by Customs and Excise Act of 1978 (CAP 472).

19. “Kenya National Highways Authority” and the acronym “KeNHA” mean the institution established and operating pursuant to Kenya Roads Act, 2007 or its legal successor thereto.
20. “Kenya Revenue Authority” and the acronym “KRA” mean a body established and operating pursuant to the Recipient’s Kenya Revenue Authority Act Cap 469 for the purpose of collecting and receiving all revenue, or its legal successor thereto.
21. “Kenya Roads Board” and the acronym “KRB” mean a body established and operating pursuant to the Recipient’s Roads Board Act, 1999 for the purpose of managing the roads maintenance levy, or its legal successor thereto.
22. “Kenyan Shilling” and the acronym “KES” mean the currency of the Recipient.
23. “Ministry of Transport and Infrastructure” and the acronym “MOTI” mean the Recipient’s ministry responsible for transport and infrastructure any successor thereto.
24. “National Transport and Safety Authority” means a body established and operating pursuant to the Recipient’s National Transport and Safety Authority Act of 2012, or its legal successor thereto.
25. “National Treasury” means the Recipient’s Ministry responsible for finance or its successor thereto.
26. “Operating Costs” means the incremental expenses incurred on account of Project implementation, based on the Annual Work Plan approved by the Association pursuant to Section I.F of Schedule 2 to this Agreement, and consisting of expenditures for office supplies, vehicle operation and maintenance, maintenance of equipment, communication and insurance costs, office administration costs, utilities, rental, consumables, accommodation, travel and *per diem*, and salaries of Project staff, but excluding the salaries of the Recipient’s civil service, meeting and other sitting allowances and honoraria to said staff.
27. “OSBP” means one-stop border post.
28. “Preparation Advance” means the advance referred to in Section 2.07 of the General Conditions, granted by the Association to the Recipient pursuant to the letter agreement signed on behalf of the Association on October 29, 2014, and on behalf of the Recipient on November 27, 2014, (PPA No. Q9440-KE).
29. “Procurement Guidelines” means 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 (revised July 2014).

30. “Procurement Plan” means the Recipient’s procurement plan for the Project, dated April 13, 2015, and referred to in paragraph 1.18 of the Procurement Guidelines and paragraph 1.25 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.
31. “Program” means the South Sudan – Eastern Africa Regional Transport, Trade and Development Facilitation Program, a regional multi-phase program designed to enhance regional connectivity of the Recipient with its Eastern Africa neighboring countries, and its access to sea ports through the increase of transport efficiency along the Eldoret-Nadapal/Nakodok Corridor.
32. “Project Implementation Manual” or “PIM” means the manual referred to in Section I.C.2 of Schedule 2 to this Agreement as the same may be amended from time to time with the prior written approval of the Association.
33. “Project Implementing Entities” means KeNHA, ICTA and KRA; and “Project Implementing Entity” means any one of the Project Implementing Entities.
34. “Project Implementing Entities’ Legislation” means for the Recipient’s Roads Act, 2007 for KeNHA, Recipient’s Information and Communications Technology Authority Order of 2013 for ICTA and Recipient’s Kenya Revenue Authority Act for KRA.
35. “Project Management Team” means, for each Project Implementing Entity, the team established by said Project Implementing Entity for purposes of the Project and the term also refers to the team referred to in Section I.A.4 of Schedule 2 to this Agreement.
36. “Project Oversight Committee” means the committee referred to in Section I.A.2 of Schedule 2 to this Agreement.
37. “Resettlement Action Plan” and “the acronym “RAP” means each of the resettlement action plans, prepared and adopted by the Recipient for the Juba-Eldoret Corridor, disclosed at Infoshop on February 13, 2015, February 25, 2015.
38. “Respective Part of the Project” means: (A) for Ministry of Transport and Infrastructure, Parts 2(c), 3(a)ii, 3(a)iii, 3(b) and 3(c)i thereof; (B) for KeNHA, Parts 1, 2 (b), 3(a)i, 3(c)ii and 3(d) thereof; (C) for KRA, Part 2 (D) thereof and (d) for ICTA, Parts 4 and 3(a)iv thereof.
39. “RPF” means the Recipient’s resettlement planning framework document - dated November 2013 and disclosed on infoshop on December 10, 2013 - setting forth the modalities for the compensation, resettlement and rehabilitation of Affected Persons, acceptable to the Association, and such term includes any schedules and/or annexes to the said framework.

40. "Safeguard Frameworks" means, collectively, the ESMF, Social Assessment and RPF; and "Safeguard Framework" means any one of the Safeguard Frameworks.
41. "Safeguard Instrument" means, in respect of a given Project activity: (a) for which the ESMF requires an ESIA, said ESIA; (b) for which the ESIA requires an ESMP, said ESMP; and (c) for which the RPF requires a RAP, said RAP; and the term includes documents incorporated in the ESMF (including chance finds procedures), all as shall have been prepared, approved and disclosed in accordance with the provisions of Section 1.E of Schedule 2 to this Agreement.
42. "Social Accountability" means the measures taken by the Recipient for periodic disclosure of information related to the Project and includes information on budget allocation, allocation of funds, project operational results, project implementation progress, audit findings; reports on corruption and fraud; and mechanisms for public complaints and feedback.
43. "Social Assessment" and "SA" each means the Recipient's social assessment with respect to indigenous peoples living in the Project area, published in country on March 4, 2015, and at Infoshop on April 9, 2015.
44. "State Law Office" means the office of the Attorney General and Department of Justice of the Republic of Kenya.
45. "Subsidiary Agreement" any of the agreements referred to in Section I.B of Schedule 2 to this Agreement pursuant to which the Recipient shall make part of the proceeds of the Financing available to each of the Project Implementing Entities.
46. "Training" means the costs associated with training, workshops and study tours provided under the Project, based on the Annual Work Plan approved by the Association pursuant to Section I.F of Schedule 2 to this Agreement, consisting of reasonable expenditures (other than expenditures for consultants' services) for: (i) travel, room, board and *per diem* expenditures incurred by trainers and trainees in connection with their training and by non-consultant training facilitators; (ii) course fees; (iii) training facility rentals; and (iv) training material preparation, acquisition, reproduction and distribution expenses.
47. "Value Added Tax" means a tax imposed by the Recipient on the value added to a product, material or service.