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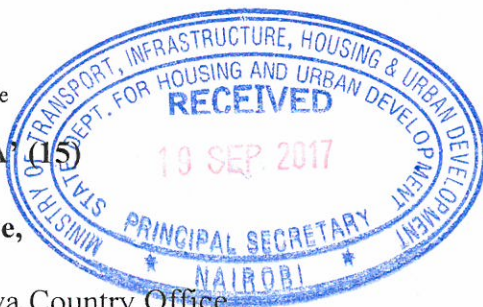
REPUBLIC OF KENYA
THE NATIONAL TREASURY

Telegraphic Address: 22921
Finance – Nairobi
FAX NO. 310833
Telephone: 2252299

THE NATIONAL TREASURY
P O BOX 30007 - 00100
NAIROBI

When Replying Please Quote

NT/RMD 2/9/01 'A'



15th September, 2017

Ms. Diarietou Gaye,
Country Director,
World Bank – Kenya Country Office,
Delta Centre, Menengai Road,
Upper Hill,
NAIROBI.

Dear

FINANCING AGREEMENT – KENYA URBAN SUPPORT PROGRAM (CREDIT NO.6134-KE)

Please find enclosed, the following documents in respect of the above project for your further action:

1. One (1) signed original Financing Agreement;
2. One (1) signed Original Supplemental Letter; and
3. Disbursement Letter.

Yours

Jackson Kinyanjui OGW
Director, Resource Mobilization Department
For: PRINCIPAL SECRETARY/NATIONAL TREASURY

Handwritten notes:
S. Um...
Also...
This...
22/09/12

Cc: Arch. Aidah N. Munano, CBS
Principal Secretary,
Ministry of Transport, Infrastructure,
Housing & Urban Development
Ardhi House, 8th Floor,
NAIROBI.

CREDIT NUMBER 6134-KE

Financing Agreement

(Urban Support Program)

between

REPUBLIC OF KENYA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated 14 SEPTEMBER, 2017

CREDIT NUMBER 6134-KE

FINANCING AGREEMENT

AGREEMENT dated _____, 201_, 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 — CREDIT

- 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 the amount of three hundred million Dollar (\$300,000,000) ("Credit"), to assist in financing the program and the project described in Parts I (the "Program") and II (the "Project") of Schedule 1 to this Agreement (the Program and the Project hereinafter jointly referred to as the "Operation").
- 2.02. The Recipient may withdraw the proceeds of the Credit in accordance with Section IV of Schedule 2 to this Agreement. All withdrawals from the Credit Account shall be deposited by the Association into an account specified by the Recipient and acceptable to the Association.
- 2.03. The Maximum Commitment Charge Rate payable by the Recipient on the Unwithdrawn Credit Balance shall be one-half of one percent (1/2 of 1%) per annum.
- 2.04. The Service Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to three-fourths of one percent (3/4 of 1%) per annum.
- 2.05. The Interest Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to zero point seven one of one percent (0.71 of 1%) per annum.
- 2.06. The Payment Dates are February 15 and August 15 in each year.
- 2.07. The principal amount of the Credit shall be repaid in accordance with the repayment schedule set forth in Schedule 4 to this Agreement.

- 2.08. The Payment Currency is Dollar.

ARTICLE III — OPERATION

- 3.01. The Recipient declares its commitment to the objective of the Operation. To this end, the Recipient shall carry out the Operation 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 Operation is carried out in accordance with the provisions of Schedule 2 to this Agreement.

ARTICLE IV — EFFECTIVENESS; TERMINATION

- 4.01. The Additional Conditions of Effectiveness consists of the following:
- (a) The Recipient has prepared and adopted the Program Operations Manual in accordance with the provisions of Section I.E.1 of Schedule 2 to this Agreement.
 - (b) The Recipient has established the Program steering committee, Program technical committee and national Program coordination team in accordance with the provisions of Section I.D of Schedule 2 to this Agreement.
- 4.02. The Effectiveness Deadline is the date one hundred twenty (120) days after the date of this Agreement.
- 4.03. 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 V — REPRESENTATIVE; ADDRESSES

- 5.01. The Recipient's Representative is its Cabinet Secretary for National Treasury.
- 5.02. The Recipient's Address is:

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

5.03. The Association's Address is:

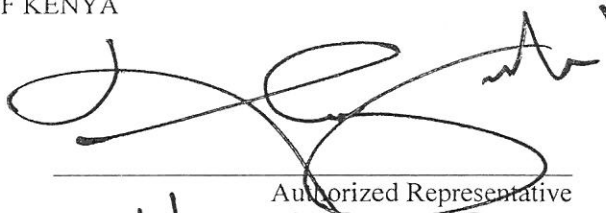
International Development Association
1818 H Street, N.W.
Washington, D.C. 20433
United States of America

Telex: 248423 (MCI) Facsimile: 1-202-477-6391

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

REPUBLIC OF KENYA

By



Authorized Representative

Name: HENRY ROTICH

Title: CABINET SECRETARY
NATIONAL TREASURY

INTERNATIONAL DEVELOPMENT ASSOCIATION

By



Authorized Representative

Name: DIARIETOU GAYE

Title: COUNTRY DIRECTOR

SCHEDULE 1

Operation Description

The objective of the Operation is to establish and strengthen urban institutions to deliver improved infrastructure and services in Participating Counties.

Part I: The Program consists of the following activities:

Results Area 1: Support for the formulation of urban development plans, establishment and operation of urban institutional arrangements and for the initial preparation of urban infrastructure investments

Providing support to Participating County Governments for the formulation of urban development plans, including the establishment and operation of urban institutional arrangements such as charters, boards, administrations, and for the initial preparation of urban infrastructure investments through the provision of Urban Institutional Grants (“UIGs”) to Participating County Governments.

Results Area 2: Support to Urban Boards and Administrations

Providing support to urban boards and administrations within the respective Participating County Governments for financing infrastructure investments in urban areas through the provision of conditional grants which are earmarked for financing investments in selected urban areas (“Urban Development Grants” or “UDGs”).

Part II: The Project consists of the following activities:

Support for the establishment, operationalization and strengthening of the institutional framework for urban management

1. Developing policies and assisting Participating County Governments (“PCGs”) in establishing and operationalizing the institutional framework for urban development, including monitoring and assessing the implementation of the said framework;
2. Supporting the PCGs’ capacity for management and administration of urban financing, including the management of annual performance assessments and budgeting/funding of UIGs and UDGs;
3. Strengthening the institutional capacity of the PCGs and Urban Boards in urban planning, urban infrastructure, and service delivery; and
4. Support towards Program management, including in the carrying out of independent verification of the Program results.

SCHEDULE 2

Program Execution

Section I. Implementation Arrangements

A. Program Fiduciary, Environmental and Social Systems

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

1. the Credit 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 Guidelines for the Program

The Recipient shall ensure that the Program is carried out in accordance with the provisions of 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.

C. Anti-Corruption Guidelines for the Project

The Recipient shall ensure that the Project is carried out in accordance with the provisions of the Association’s “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 and as of July 1, 2016.

D. Other Operation Institutions

1. Ministry of Transport, Infrastructure, Housing and Urban Development

The Recipient shall vest the overall responsibility for the implementation of the Operation’s activities in its Ministry of Transport, Infrastructure, Housing, and Urban Development, acting through the State Department for Housing and Urban Development.

2. Program Steering Committee

The Recipient shall establish and thereafter maintain, a Program Steering Committee (“PSC”), to be jointly chaired by the principal secretary of the State Department of Housing and Urban Development and the chair of the urban development committee of the Council of Governors, with composition satisfactory to the Association including representatives of the National Treasury, State Department of Housing and Urban Development, Ministry of Devolution and Planning, controller of budget, Commission of Revenue Allocation; the chief executive of the Council of Governors; and the chair of the CECs responsible for urban development, with responsibility for providing policy guidance, strategic leadership, and broad oversight of the Operation.

3. Program Technical Committee

The Recipient shall establish and thereafter maintain, throughout the Program implementation period, a Program technical committee, co-chaired by the secretary responsible for urban development in the State Department of Housing and Urban Development and the head of the land planning and urban development committee of the Council of Governors; comprising, *inter alia*, at least three CEC members representing the Participating County Governments, representatives of UDD, representatives of the NPCT and representatives from the National Treasury and the Ministry of Devolution and Planning; to be responsible for, *inter alia*, reviewing annual performance assessment reports for the Program, addressing any cross-cutting technical issues and challenges in Program implementation, reviewing Program Progress Reports, providing technical guidance on Operation implementation, and escalating to the steering committee any evolving policy issues.

4. National Program Coordination Team

The Recipient shall establish and thereafter maintain, a national Program coordination team (“NPCT”) within the Ministry of Transport, Infrastructure, Housing, and Urban Development, consisting of, *inter alia*: a Program coordinator, planners, an engineer, a financial management specialist, a procurement specialist, a public finance advisor, a social safeguards specialist, and an environment safeguards specialist; to be responsible for day to day implementation of the Operation.

5. County Program Coordination Team

The Recipient shall cause each respective Participating County to establish, prior to such County’s participation in the Program, and thereafter maintain throughout the implementation period of the Operation, a Program Coordination Team (“CPCT”) within the respective PCG; such CPCT shall: (a) be under the oversight

of the County Executive Committee member responsible for urban development; (b) comprise, *inter alia*, the director responsible for urban development, a municipal manager, an engineer, an accountant, County environment and social safeguards officers; and (c) be responsible for managing the use of UIG, facilitating coordination of the Operation within the respective County and with the national government.

E. Implementation Arrangements

1. Program Operational Manual

The Recipient shall:

- (a) prepare and furnish to the Association for its review a Program Operational Manual containing detailed institutional, administrative, financial, technical and operational guidelines and procedures for the implementation of the Operation, and including, *inter alia*: (i) the definition of the contours of the Program and Project activities, including results framework, overall budget and list of Program Expenditures and Eligible Expenditures; (ii) the Program implementation arrangements, including the allocation of functions and responsibilities between the national Government and the Participating County Governments; and (iii) the Operation's monitoring and evaluation, and reporting requirements, and pro-forma Progress Reports;
- (b) thereafter adopt and carry out the Operation in accordance with such Program Operational Manual; and
- (c) not amend, abrogate or suspend, or permit to be amended, abrogated or suspended any provision of the Program Operational Manual without the prior written agreement of the Association.

2. Notwithstanding the foregoing, if any provision of the Program Operational Manual is inconsistent with the provisions of this Agreement, the provisions of this Agreement shall prevail.

3. Program Participation Agreements

- (a) Without limitation on the generality of Part A of this Section I, the Recipient shall enter into a Program Participation Agreement, as approved by the Association, with a respective Participating County, and shall not disburse funds to a respective Participating County that has not signed such an agreement. Such Program Participation Agreement shall provide details on the mutual responsibilities for the implementation of the Program, such terms and conditions to include the obligation of the

respective Participating County to: (i) establish a CPCT referred to in Section I.D.5 of this Schedule 2; (ii) carry out its activities under the Program with due diligence and efficiency and in accordance with the Program Operational Manual; (iii) maintain policies and procedures adequate to enable it to monitor the progress of its activities under the Program and the achievement of the Program's objectives; (iv) enable the Recipient and the Association to inspect the Program activities within the respective Participating County's jurisdiction, its operation and any relevant records and documents; and (v) prepare and furnish to the Recipient and the Association all such information as the Recipient or the Association may reasonably request relating to the foregoing.

- (b) The Recipient shall exercise its rights and perform its obligations under each Program Participation Agreement in such manner as to protect the interests of the Recipient and the Association and to accomplish the purposes of the Credit.
- (c) Except as the Association shall otherwise agree, the Recipient shall not assign, amend, abrogate or waive any Program Participation Agreement or any of its provisions.

4. Program Action Plan

The Recipient shall carry out the Program Action Plan in accordance with the schedule set out in the said Program Action Plan in a manner satisfactory to the Association. Except as the Association may agree in writing, the Recipient shall not amend, waive, suspend, terminate or abrogate said Program Action Plan or any provision thereof.

Section II. Excluded Activities

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

- A. in the opinion of the Association, are likely to have significant adverse impacts that are sensitive, diverse, or unprecedented on the environment and/or affected people; or
- B. involve the procurement of: (i) works, estimated to cost US\$50 million equivalent or more per contract; (ii) goods, estimated to cost US\$30 million equivalent or more per contract; (iii) non-consulting services, estimated to cost US\$30 million equivalent or more per contract; or (iv) consultants' services, estimated to cost US\$15 million equivalent or more per contract; provided, however, that such activities may be financed if procured under contracts for works, goods and services that are deemed to be important to the implementation of the Program and

their monetary value in relation to the overall Program is equal to or less than twenty-five (25) percent of the estimated total program expenditures.

Section III. Procurement Activities under the Project (Part II of Schedule 1 to this Agreement)

A. General

1. **Goods and Non-consulting Services.** All goods and non-consulting services required for the Project and to be financed out of the proceeds of the Credit 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 Credit 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 and Non-consulting Services

1. **International National Competitive Bidding.** Except as otherwise provided in paragraph 2 below, goods and non-consulting services shall be procured under contracts awarded on the basis of International Competitive Bidding.
2. **Other Methods of Procurement of Goods and Non-consulting Services.** 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) Limited International Bidding; (b) National Competitive Bidding, subject to the additional provisions provided in paragraph 3 below; (c) Shopping; (d) Direct Contracting; and (e) Framework Agreements.
3. The following additional provisions shall apply to the procurement of items in accordance with National Competitive Bidding procedures:
 - (a) Tender submission date shall be set so as to allow a period of at least thirty (30) days from the later of (A) the date of advertisement, and (B) the date of availability of the tender documents.
 - (b) Government-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'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) Tender evaluation 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.
- (e) No domestic preference shall be used in the evaluation of tenders. Instead, contracts shall be awarded to qualified tenderers who have submitted the lowest evaluated substantially responsive tender.
- (f) Notification of contract award shall constitute formation of the contract. No negotiations shall be carried out prior to contract award.

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: (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) Procedures set forth in paragraphs 5.2 and 5.3 of the Consultant Guidelines for the Selection of Individual Consultants; and (g) 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. Operation Monitoring, Reporting and Evaluation; Audits

A. Progress Reports for the Operation

The Recipient shall monitor and evaluate the progress of the Operation and prepare Progress Reports in accordance with the provisions of Section 4.08 of the General Conditions and on the basis of indicators agreed with the Association. Without limiting Section 4.08 of the General Conditions, the Progress Reports shall cover the progress achieved by the Recipient in the implementation of the Program Action Plan. Each Progress Report shall cover the period of one calendar semester, and shall be furnished to the Association not later than forty-five (45) days after the end of the period covered by such report.

B. Financial Management and Audits for the Operation

1. The Recipient shall maintain, financial management systems and prepare, financial statements ("Financial Statements") in accordance with consistently applied accounting standards acceptable to the Association, in a manner to adequately reflect resources and expenditures related to the Operation.
2. Without limitation on the generality of Section IV.A of this Schedule 2 and Section 4.09 of the General Conditions, the Recipient shall have the Financial Statements for the Program and the Project audited in accordance with the provisions of Section 4.09(b) of the General Conditions. Each audit of the Project's and the Program's Financial Statements 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 Program and/or the Project. Unless otherwise agreed with the Association, the 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.

C. Verification Protocols for the Program

The Recipient shall:

- (a) undertake a verification process, in accordance with terms of reference agreed with the Association, to certify the fulfillment of the Disbursement Linked Results set out in Schedule 3 to this Agreement; and
- (b) furnish to the Association corresponding verification report(s), in form and substance agreed with the Association.

D. Interim Financial report for the Project

Without limitation of the provisions of sub-Sections IV.A and IV.B of this Schedule 2, the Recipient shall prepare and furnish to the Association, not later than forty-five (45) days after the end of each calendar quarter, interim unaudited financial reports (“IUFRRs”) for the Project covering the Eligible Expenditures incurred during the quarter, all in form and substance satisfactory to the Association.

Section V. Withdrawal of Credit Proceeds

A. General

1. The Recipient may withdraw the proceeds of the Credit 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 (including the “Disbursement Guidelines for Investment Project Financing” dated February 2017, as revised from time to time by the Association and as made applicable to this Agreement pursuant to such instructions) in order to:
 - (a) repay the Preparation Advance;
 - (b) finance the results (“Disbursement Linked Results” or “DLRs”) achieved by the Recipient, as measured against specific indicators (“Disbursement Linked Indicators” or “DLIs”), all as set forth in Category (1) of the table in paragraph 2 (below) of this sub-Section V.A and Schedule 3 to this Agreement; and
 - (c) finance the Project’s Eligible Expenditures as set forth in Category (2) of the table in paragraph 2 (below) of this sub-Section V.A.
2. The following table specifies the categories for the withdrawal of the proceeds of the Credit, and allocated amounts for each such category, including, as the case may be: (a) the Programs’ Disbursement Linked Indicators that may be financed out of the proceeds of the Credit under Category (1); and (b) the Project’s Eligible Expenditures that may be financed out of the proceeds of the Credit under Category (2) and the financing percentages thereof. Notwithstanding the foregoing, for purposes of Category (1) of the table below, the actual amounts authorized for disbursement (“Allocated Amount”) and/or the formula for their determination upon the achievement of an individual DLR for any given DLI financed under such Category, are set forth in Schedule 3 to this Agreement:

Category	Amount of the Credit Allocated (expressed in Dollar)	Percentage of Eligible Expenditures to be Financed (inclusive of Taxes)
(1) Disbursements under the Program for:		
(a) DLI #1: Participating County Governments have met UIG minimum conditions	22,200,000	N/A
(b) DLI #2: Participating County Governments have met UDG minimum conditions	171,400,000	
(c) DLI #3: County Governments and urban area institutions have met UDG performance standards	76,100,000	
(2) Goods, non-consulting services, consultants' services, Training and Workshops and Incremental Operating Costs for the Project	26,918,500	100%
(3) Preparation Advance to be repaid in accordance with Section 2.05 of the General Conditions, (renumbered as such pursuant to paragraphs 3 and 5 of Section II of the Appendix to this Agreement and relating to <i>Refinancing Preparation Advance</i>)	3,381,500	
TOTAL AMOUNT	300,000,000	

B. Withdrawal Conditions for the Program

1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made:
 - (a) for payments made under Category (2) prior to the date of this Agreement;
 - (b) for purposes of Section 2.03 of the General Conditions (renumbered as such pursuant to paragraph 6 of Section III of the Appendix to this Agreement and relating to *Program Expenditures*), for DLRs achieved

prior to the date of this Agreement, except that withdrawals up to an aggregate amount not to exceed \$20,000,000 may be made for such DLR achieved prior to this date but on or after July 1, 2017; and

- (c) for any DLR until and unless the Recipient has furnished evidence satisfactory to the Association that said DLR has been achieved.
2. Notwithstanding the provisions of Part B.1(c) of this Section, the Recipient may withdraw: (i) from Category (1), an amount not to exceed \$54,000,000 as an advance; provided, however, that if the DLRs in the opinion of the Association, are not achieved (or only partially achieved) by the Closing Date, the Recipient shall refund such advance (or portion of such advance as determined by the Association in accordance with the provisions of paragraph (3) of this Part B) to the Association promptly upon notice thereof by the Association. Except as otherwise agreed with the Recipient, the Association shall cancel the amount so refunded. Any further withdrawals requested as an advance under any Category shall be permitted only on such terms and conditions as the Association shall specify by notice to the Recipient.
3. Notwithstanding the provisions of Part B.1(c) of this Section, if any of the DLRs under Category (1) has not been achieved by the date by which the said DLR is set to be achieved, the Association may, by notice to the Recipient: (a) authorize the withdrawal of such lesser amount of the unwithdrawn proceeds of the Credit 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 Column 4 of the table in Schedule 3 to this Agreement; (b) reallocate all or a portion of the proceeds of the Credit then allocated to said DLR to any other DLR; and/or (c) cancel all or a portion of the proceeds of the Credit then allocated to said DLR.
4. The Closing Date is July 31, 2023.
5. Notwithstanding the foregoing provisions of this Section V, if at any time after the Closing Date the Recipient has failed to provide evidence satisfactory to the Association that the Withdrawn Credit Balance does not exceed the total amount of Program Expenditures, the Recipient shall, promptly upon notice from the Association, refund to the Association such excess amount of the Withdrawn Credit Balance. The Association shall cancel the refunded amount of the Withdrawn Credit Balance.

Section VI. Other Undertakings

The Recipient shall, by not later than six (6) months after the Effective Date, establish an operational complaints handling and management system for the Program, such system to include, a complaints/grievance committee to handle complaints, designated focal

complaints officer to coordinate the system, an established feedback mechanism and a service charter prescribing how complaints related to the Program will be handled.

SCHEDULE 3

Disbursement Linked Indicators, Disbursement Linked Results and Allocated Amounts Applicable to the Program

Category (including Disbursement Linked Indicator as applicable)	Disbursement Linked Result (as applicable)	Amount of the Financing Allocated (expressed in USD)	Disbursement Calculation Formula
<p>(1) DLI #1: Participating County Governments have met UIG minimum conditions</p>	<p><i>DLR#1.1:</i> Participating County Governments are able to comply with the minimum conditions required in order to access their annual UIG allocations.</p>	<p>USD 22,200,000 (of which it will be apportioned as follows: FY17/18- 20 Counties, USD 4,000,000 FY 18/19- 45 Counties, USD 9,000,000 FY 19/20- 45 Counties, USD 7,000,000 FY 20/21- 25 Counties, USD 2,200,000)</p>	<p>Year 1 (FY2017-18):</p> <ul style="list-style-type: none"> No. of Participating County Governments complying with UIG minimum conditions x (multiplied by) US\$200,000 <p>Year 2:</p> <ul style="list-style-type: none"> No. of Participating County Governments complying with UIG minimum conditions in Year 1 that continue to comply with UIG minimum conditions x US\$200,000 No. of new Participating County Governments complying with UIG minimum conditions x US\$200,000 <p>Year 3:</p> <ul style="list-style-type: none"> No. of Participating County Governments complying with UIG minimum conditions in Year 1 that also comply with UIG minimum conditions x US\$100,000 No. of new Participating County Governments complying with UIG minimum conditions (in Year 2) that also comply with UIG minimum conditions x US\$200,000

			<p>Year 4:</p> <ul style="list-style-type: none"> No. of Participating County Governments complying with UIG minimum conditions (in Year 2) that also comply with UIG minimum conditions x US\$88,000
<p>(2) DLI#2: Participating County Governments have met UDG minimum conditions for eligible urban areas</p>	<p>DLR#2.1: Participating County Governments are able to comply with the minimum conditions required in order to access their annual UDG allocations</p>	<p>USD 171,400,000</p> <p>(of which it will be apportioned as follows: FY18/19- 15 minimum conditions USD 14,600,000 FY 19/20- 25 minimum conditions, USD 24,400,000 FY 20/21- 40 minimum conditions, USD 39,000,000 FY 21/22- 46 minimum conditions, USD 44,800,000 FY 22/23- 50 minimum conditions, USD 48,700,000)</p>	<p>Year 1: Not applicable</p> <p>Years 2-6: No. of Participating County Governments complying with UDG minimum conditions x (Indicative UDG Allocation for each qualifying Participating County) x 0.5</p>
<p>(3) DLI #3: Participating County Governments and Urban Area Institutions have met UDG performance standards</p>	<p>DLR#3.1: Participating County Governments and Urban Area Institutions are able to meet UDG performance standards in order to access increments in their annual UDG allocations (subject to full compliance with UDG minimum conditions)</p>	<p>USD 76,100,000</p> <p>(of which it will be apportioned as follows: FY 19/20- 15 Counties, USD 4,800,000 FY 20/21- 25 Counties, USD 15,600,000 FY 21/22- 40 Counties, USD 21,500,000 FY 22/23-46 Counties, USD 34,200,000)</p>	<p>Years 1-2: Not applicable</p> <p>Year 3-6: No. of Participating County Governments and Urban Area Institutions meeting UDG performance standards x (Indicative UDG Allocation for each qualifying/Participating County) x (0.05 x number of performance standards that are met)</p>
	<p>TOTAL</p>	<p>USD 269,700,000</p>	

SCHEDULE 4

Repayment Schedule

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

*The percentages represent the percentage of the principal amount of the Credit to be repaid, except as the Association may otherwise specify pursuant to Section 3.03 (b) of the General Conditions.

APPENDIX

Section I. Definitions

1. "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.
2. "Basis Adjustment" means the Association's standard basis adjustment for credits in the currency of denomination of the Credit, in effect at 12:01 a.m. Washington, D.C. time, on the date on which the Credit is approved by the Executive Directors of the Association, and expressed either as a positive or negative percentage per annum.
3. "Basis Adjustment to the Service Charge" means the Association's standard basis adjustment to the Service Charge for credits in the currency of denomination of the Credit, in effect at 12:01 a.m. Washington, D.C. time, on the date on which the Credit is approved by the Executive Directors of the Association, and expressed either as a positive or negative percentage per annum.
4. "Category" means a category set forth in the table in Section V.A.2 of Schedule 2 to this Agreement.
5. "CEC" means the County Executive Committee established pursuant to County Government Act of 2012.
6. "Commission of Revenue Allocation" means the commission established pursuant to Article 248 of the Recipient's Constitution of 2010.
7. "Council of Governors" means Council of County Governors established under Section 19 of the Intergovernmental Relations Act of 2012.
8. "County" means a devolved government structure established under Article 176 of the Recipient's Constitution of 2010.
9. "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).
10. "CPCT" means the County Program coordination team referred to in Section I.D.5 of Schedule 2 to this Agreement.
11. "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 V.A.2 of Schedule 2 to this Agreement.

12. "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 V.A.2 of Schedule 2 to this Agreement, on the basis of the achievement of which, the amount of the Credit allocated to said result may be withdrawn in accordance with the provisions of said Section V.
13. "FY" means the Recipient's fiscal year.
14. "General Conditions" means:
 - (a) For the Project: 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; and
 - (b) For the Program: the "International Development Association General Conditions for Credits and Grants", dated July 31, 2010, with the modifications set forth in Section II and Section III of this Appendix.
15. "Incremental Operating Costs" means reasonable expenses incurred on account of implementation and management of the Operation, including: expenditures for maintenance of equipment, facilities and vehicles used for implementation of the Operation, fuel, routine repair and maintenance of equipment, vehicles and office premises, communication costs, use of internet costs, stationery and other office supplies, utilities used for implementation of the Operation, consumables, travel per diems, accommodation expenses, motor vehicle insurance expenses, internal and external audits and costs of translation, printing, photocopying and advertising, but excluding salaries, top-ups, honoraria, or allowances of the Recipient's civil servants.
16. "Indicative UDG Allocation" means the indicative allocation for each UDG as set forth in the Program Operations Manual.
17. "Ministry of Devolution and Planning" means Recipient's Ministry responsible for devolution and planning, or any legal successor thereto.
18. "Ministry of Transport, Infrastructure, Housing, and Urban Development" means the Recipient's ministry at the time responsible for transport, infrastructure, housing and urban development, acting through the State department for Housing and urban development.
19. "National Treasury" means the Recipient's ministry responsible for finance, or any legal successor thereto.
20. "NPCT" means the national Program coordination team referred to in Section I.D.4 of Schedule 2 to this Agreement.

21. "Participating County" means any County that is participating in the Program and listed in the Program Operational Manual.
22. "Participating County Government" means a government of a Participating County.
23. "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).
24. "Procurement Plan" means the Recipient's procurement plan for the Project, dated June 21, 2017, 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.
25. "Program Action Plan" means the Recipient's plan dated June 21, 2017, and referred to in Section I.E.4 of Schedule 2 to this Agreement, as may be amended from time to time with the agreement of the Association.
26. "Program Fiduciary and Environmental and Social Systems" means the Recipient's systems for the Program referred to in Section I.A of Schedule 2 to this Agreement.
27. "Program Operational Manual" means the manual referred to in Section I.E.1 of Schedule 2 to this Agreement.
28. "Program Participation Agreement" means the agreement referred to in Section I.E.3 of Schedule 2 to this Agreement.
29. "PSC" means the Program steering committee referred to in Section I.D.2 of Schedule 2 to this Agreement.
30. "State Department of Housing and Urban Development" means Recipient's department responsible for housing and urban development, or any legal successor thereto.
31. "Urban Area Institutions" means urban boards or administrations for cities or municipalities within the territory of the Recipient.
32. "Urban Development Grants" or "UDGs" means the grants to be provided under Part 1, Results Area 2 of the Program, and in accordance with the Program Operational Manual.
33. "UDD" means the Urban Development Department within the Recipient's Ministry.

34. "Urban Institutional Grants" or "UIGs" means the grants to be provided under Part 1, Results Area 1 of the Program, and in accordance with the Program Operational Manual.
35. "Training" means the reasonable costs for the following expenditures incurred in providing training or workshops: travel by participants and presenters to the training or workshop site, per diem allowances of such persons during the training or workshop, honoraria for the presenters, rental of facilities, materials, supplies and translation and interpretation services.

Section II. Modifications to the General Conditions for purposes of the Project's and the Program's implementation

The General Conditions are hereby modified as follows:

1. Whenever used throughout the General Conditions, the term "Project Report" is modified to read "Progress Report."
2. The last sentence of Section 3.01 (b) is modified to read as follows:

"The Commitment Charge shall be computed using a day-count convention reasonably determined by the Association".
3. Section 3.02 is modified to read as follows:

"Section 3.02. Interest Charge

The Recipient shall pay the Association interest on the Withdrawn Credit Balance at the rate specified in the Financing Agreement. Interest shall accrue from the respective dates on which amounts of the Credit are withdrawn and shall be payable semi-annually in arrears on each Payment Date. Interest Charges shall be computed using a day-count convention reasonably determined by the Association."
4. Section 3.03 is modified by deleting paragraph (b) in its entirety and amending the remaining provision to read as follows:

"Section 3.03. Repayment of the Credit

The Recipient shall repay the Withdrawn Credit Balance to the Association in installments as provided in the Financing Agreement."
5. Section 3.04 is modified to read as follows:

"Section 3.04. Prepayment

(a) After giving not less than forty-five days' notice to the Association, the Recipient may repay the Association in advance of maturity, as of a date acceptable to the Association, all or any part of the principal amount of one or more maturities of the Credit specified by the Recipient, provided the Recipient has made payments due on the Credit as at such date, including any prepayment premium calculated pursuant to paragraph (b) of this Section.

(b) The prepayment premium payable under paragraph (a) of this Section shall be an amount reasonably determined by the Association to represent any gains or losses to the Association arising from the termination of any interest rate risk management transactions undertaken by the Association with respect to the Credit."

6. A new Section 3.11 is added to read as follows:

"Section 3.11. Cancellation Premia on Payment Failure, Cancellation, Suspension, Acceleration or Refund of the Credit

The Recipient shall pay to, or be entitled to receive from, the Association a cancellation premium that the Association shall reasonably determine represents any losses or gains to the Association arising from the termination of any interest rate risk management transactions undertaken by the Association with respect to the Credit as a result of: (i) the Recipient's failure to make payment (notwithstanding the fact that such payment may have been made by a third party) of principal, interest, service charges or any other amount due to the Association under this Agreement; (ii) any cancellation, suspension or acceleration of the Credit under Article VI of these General Conditions; or (iii) any refund of the Credit. The Recipient shall pay any cancellation premium due to the Association not later than sixty days after notice shall have been given by the Association."

7. Paragraph 28 of the Appendix ("Financing Payment") is modified by substituting the words "the Service Charge" with the words "the Interest Charge".
8. The Appendix is modified by inserting a new paragraph 32 with the following definition of "Interest Charge", and renumbering the subsequent paragraphs accordingly:

"32. "Interest Charge" means the charge specified in the Financing Agreement for the purpose of Section 3.02."

9. Renumbered paragraph 37 (originally paragraph 36) of the Appendix ("Payment Date") is modified by substituting the words "Service Charges" with the words "Interest Charges".
10. Renumbered paragraph 50 (originally paragraph 49) of the Appendix ("Service

Charge") is deleted in its entirety.

Section III. Modifications to the General Conditions for purposes of the Program's Implementation

The General Conditions are hereby modified as follows:

1. Wherever used throughout the General Conditions, the term "the Project" is modified to read "the Program", the term "the Project Agreement" is modified to read "the Program Agreement", the term "Project Implementing Entity" is modified to read "the Program Implementing Entity"; 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 III), 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 Sections, Section names and Section numbers are modified, as necessary, to reflect the modifications set forth above.
13. Renumbered paragraph 51 (originally paragraph 50) of the Appendix ("Special Commitment") is deleted in its entirety, and all subsequent paragraphs are renumbered accordingly.