

Public Disclosure Authorized

OFFICIAL DOCUMENTS

CREDIT NUMBER 6121-KE

Financing Agreement

(Additional Financing for the Infrastructure Finance and
Public Private Partnerships Project)

between

REPUBLIC OF KENYA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated August 7, 2017

CREDIT NUMBER 6121-KE

FINANCING AGREEMENT

AGREEMENT dated AUGUST 7, 2017 entered into between REPUBLIC OF KENYA ("Recipient") and INTERNATIONAL DEVELOPMENT ASSOCIATION ("Association") for the purpose of providing additional financing for activities related to the Original Project (as defined in the Appendix to this Agreement). The Recipient and the Association hereby agree as follows:

ARTICLE I — GENERAL CONDITIONS; DEFINITIONS

- 1.01. The General Conditions (as defined in the Appendix to this Agreement) constitute an integral part of this Agreement.
- 1.02. Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the General Conditions or in the Appendix to this Agreement.

ARTICLE II — FINANCING

- 2.01. The Association agrees to extend to the Recipient, on the terms and conditions set forth or referred to in this Agreement, a credit in the amount of forty-six million nine hundred thousand Euro (46,900,000 Euro) (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 The Service Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to three-fourths of one percent (3/4 of 1%) per annum.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 The Interest Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to zero point seven one of one percent (0.71 of 1%) per annum.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 May 15 and November 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 3 to this Agreement.
- 2.08. The Payment Currency is Euro.

ARTICLE III — PROJECT

- 3.01. The Recipient declares its commitment to the objectives of the Project. To this end, the Recipient shall carry out the Project through the National Treasury 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.

ARTICLE IV — REMEDIES OF THE ASSOCIATION

- 4.01. The Additional Events of Suspension consist of the following, namely that, at any time before the Closing Date, the Recipient has, in the opinion of the Association: (a) failed to apply sound environmental and social standards or measures in its management of PPP infrastructure projects in its jurisdiction that have commenced or been materially restructured subsequent to the date of this Agreement; and/or (b) the Recipient has materially commenced the development of any investment project, on any dams in the Project area, prior to the completion of feasibility studies referred to in Section I.E.4 of Schedule 2 to this Agreement.

ARTICLE V — TERMINATION

- 5.01. The Additional Condition of Effectiveness consists of the following, namely that the Recipient has updated the Project Implementation Manual in accordance with the provisions of Section I.B.1 of Schedule 2 to this Agreement.
- 5.02. The Effectiveness Deadline is the date ninety (90) days after the date of this Agreement.
- 5.03. 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 VI — REPRESENTATIVE; ADDRESSES

6.01. The Recipient's Representative is its Cabinet Secretary for National Treasury.

6.02. The Recipient's Address is:

National Treasury
Treasury Building
Harambee Avenue
P.O Box 30007-00100
Nairobi
Republic of Kenya

6.03. The Association's Address is:

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

Telex:

Facsimile:

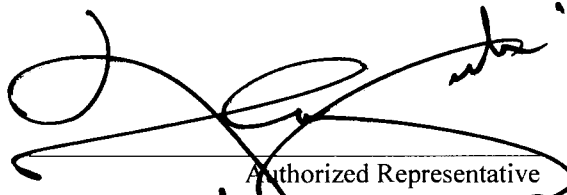
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AGREED at NAIROBI, KENYA, as of
the day and year first above written.

REPUBLIC OF KENYA

By



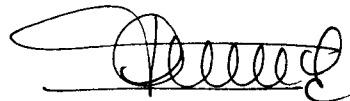
Authorized Representative

Name: HENRY ROTICH

Title: CS / NATIONAL TREASURY.

INTERNATIONAL DEVELOPMENT ASSOCIATION

By



Authorized Representative

Name: DIARIETOU GATE

Title: COUNTRY DIRECTOR

SCHEDULE 1

Project Description

The objective of the Project is to increase private investment in the Recipient's infrastructure market across sectors and to sustain this participation over an extended period of time.

Part 1. Support to Institutional Strengthening

(a) Upstream Support to PPP Institutions

- (i) Carrying out further policy dialogue and analyses, including designing strategies for specific sectors of the proposed PPP projects.
- (ii) Preparing standard procurement documentation for the PPP projects.
- (iii) Carrying out a program of activities designed to enhance the technical capacity building of PPP institutions, including enhancing capacity for preparation, procurement, fiscal commitment and contingency liability and implementation of PPP projects.
- (iv) Reviewing existing national law, regulations and policy to support drafting of practice notes and guidelines on application and process at County level.

(b) Support to Capacity Building Activities

Carrying out a program of activities designed to enhance the capacity of the national and County Governments for preparation, PPP project based training geared towards creating a moderate level of awareness and understanding of principles, concepts and processes of PPPs, such program to include:

- (i) preparing a PPP curriculum and study material for national and County governments;
- (ii) supporting activities relating to PPP certification of government officials at national and County levels; and
- (iii) carrying out public awareness campaigns, workshops and hosting of investment conferences.

Part 2. Support to Project Preparation and Procurement

Carrying out a program of activities designed to assist the Recipient, at national and County level, to prepare well-structured and bankable PPP projects with optimal risk allocation, such program to include carrying out feasibility assessments, safeguards and environmental assessments, preparing bid documents and providing hands-on support during bid-negotiations and other processes leading to commercial and financial close of PPP transaction.

Part 3. Project Management

Carrying out a program of activities designed to support the Recipient in the implementation, coordination, administration, monitoring and evaluation of the Project, through the provision of technical assistance, training, acquisition of goods, Operating Costs and minor rehabilitation and refurbishment of relevant offices.

SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements

1. To ensure proper and efficient implementation of the Project, the Recipient shall maintain, throughout the period of implementation of the Project, the following structures, all with a mandate, composition, staffing and resources acceptable to the Association: (a) the PPP Committee to be responsible for providing overall policy direction and general oversight of the Project, including the review and approval of AWPBs; (b) the Officer Administering the Fund (OAF) who will be responsible for managing and administering the Project; and (c) OAF Secretariat to be responsible for the day-to-day technical and administrative support, including financial management, procurement, monitoring and evaluation of the Project.

B. Project Implementation Manual

1. The Recipient shall: (a) (i) update, under terms of reference satisfactory to the Association, and furnish to the Association the Project Implementation Manual to include a verification protocol containing the technical standards and arrangements and procedures for the monitoring, reporting and verification of DLIs; and (ii) thereafter adopt and carry out the Project in accordance with such updated Project Implementation Manual as shall have been approved by the Association; and (b) except as the Association shall otherwise agree in writing, not amend or waive, or permit to be amended or waived any provision of the Project Implementation Manual.
2. In case of a conflict between the provisions of the Project Implementation Manual and this Agreement, those of this Agreement shall prevail.

C. Annual Works Plans and Budgets

1. The Recipient shall furnish to the Association not later than February 28 of each fiscal year of the Recipient during the implementation of the Project (or such later date as the Association may agree) for the Association's approval, an Annual Work Plan and Budget ("AWPB") containing all Project activities and Eligible Expenditures proposed to be included in the Project in the Recipient's following fiscal year.
2. The Recipient shall ensure that the Project is implemented in accordance with the AWPB accepted by the Association for the Recipient's respective fiscal year

(provided, however, that in the event of any conflict between the AWPB and the provisions of this Agreement, the provisions of this Agreement shall prevail).

3. The Recipient shall not make or allow to be made any change to the AWPB without prior approval in writing by the Association.

D. DLI Monitoring and Reporting

1. The Recipient shall, not later than three (3) months after the Effective Date, appoint, and thereafter maintain throughout the Project implementation period, an independent verification agent, with terms of reference and qualifications satisfactory to the Association, for the purpose of carrying out independent verifications of the status of achievement of DLI Targets in accordance with the verification protocol and procedures set out in the Project Implementation Manual.
2. Without limitation on its other reporting obligations under this Agreement, the Recipient shall: (a) not later than September 30 of each year during the Project implementation period, furnish reports to the Association on the status of achievement of the relevant DLI Targets; and (b) not later than November 30 of each year during the Project implementation period, furnish to the Association the reports of the independent verification agent referred to in paragraph 1 above, all in accordance with the verification protocol and procedures set out in the Project Implementation Manual.

E. Safeguards

1. The Recipient shall ensure that the Project is implemented in accordance with the Safeguard Frameworks and the Safeguard Instruments. To that end, if any Project activities would, pursuant to the relevant Safeguard Framework, require the preparation of a Safeguard Instrument, the Recipient shall ensure that said activities shall not be implemented unless and until said Safeguard Instrument has been: (a) prepared, in accordance with the relevant Safeguard Framework and furnished to the Association for approval; and (b) disclosed following approval of the Association; and (c) all measures required to be taken thereunder prior to the commencement of said Project activities have been taken. Except as the Association shall otherwise agree in writing, and subject to compliance with the same consultation and information disclosure requirements as applied to the adoption of the aforesaid Safeguard Instruments in the first instance, the Recipient shall not amend or waive any provision of the Safeguard Instruments.
2. The Recipient shall, in its Project Reports, report on progress made on compliance with the Safeguards Instruments under the Project, giving details of measures taken in furtherance of the Safeguard Instruments and any conditions which interfere or threaten to interfere with the timely implementation of the

Safeguards Instruments, and remedial measures taken or required to be taken to address such conditions.

3. The Recipient shall ensure that all advisory, analytical, planning, institutional capacity building, strategizing and such other services carried out under the Project shall be carried out according to terms of reference, satisfactory to the Association, requiring such services to deliver products which take into account, and are consistent with, the Association's Social and Environmental Safeguards Policies.
4. The Recipient shall establish, prior to carrying out the feasibility studies for any dams in the PPP pipeline within the Project area, an independent Dam Safety Advisory Panel comprising at least three (3) experts acceptable to the Association, under terms of reference acceptable to the Association, which shall be responsible, *inter alia*, to provide advice relating to dam safety and other critical aspects of such dams, including by providing support for the formulation of dam safety management plans. The Recipient shall convene meetings with said Dam Safety Advisory Panel periodically throughout the Project implementation period, as further detailed in the Project Implementation Manual.

F. Anti-Corruption

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

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports

1. The Recipient shall 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 and set forth in the Project Implementation Manual. Each Project Report shall cover the period of one calendar quarter, 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, Financial Reports and Audits

1. The Recipient shall maintain or cause to be maintained a financial management system in accordance with the provisions of Section 4.09 of the General Conditions.
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 for the Project covering the quarter, in form and substance satisfactory to the Association.

3. The Recipient shall have its Financial Statements audited in accordance with the provisions of Section 4.09 (b) of the General Conditions. Each audit of the Financial Statements shall cover the period of one fiscal year of the Recipient. The audited Financial Statements for each such period shall be furnished to the Association not later than six (6) months after the end of such period.

Section III. Procurement

All goods, works, non-consulting services and 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 the Procurement Regulations and the provisions of the Procurement Plan.

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 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), 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 EUR)	Percentage of Expenditures to be Financed (inclusive of Taxes)
(1) Goods, works, non-consulting services, consulting services, Training and Operating Costs for Part 3 of the Project	2,900,000	100%
(2) Eligible Expenditure Programs under Parts 1 and 2 of the Project	44,000,000	100%
TOTAL AMOUNT	46,900,000	

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.
 - (b) for Eligible Expenditure Programs under Category (2), unless and until the Recipient has:
 - (i) furnished evidence satisfactory to the Association in accordance with the verification protocol set forth in the Project Implementation Manual that the Recipient has achieved the respective DLI Targets set forth in Schedule 4 to this Agreement against which withdrawal is requested; and
 - (ii) complied with the additional instructions referred to in Section IV.A of this Schedule, including furnished to the Association the applicable interim unaudited financial reports documenting the incurrence of Eligible Expenditure Programs during the respective fiscal year up to the date against which withdrawal is requested; or
2. Notwithstanding the provisions of Part B.1(b) of this Section, if the Association shall determine, based on the evidence furnished by the Recipient under Part B.1(b) of this Section, that:
 - (a) any DLI Target has been partially achieved, the Association may in its sole discretion authorize the withdrawal of a portion of the amount of the Financing then allocated to said DLI Target, calculated on a pro rata basis in respect of the level of partial achievement of said DLI Target; and
 - (b) any DLI Target has not been fully achieved by its DLI Target Achievement Date, the Association may in its sole discretion, by notice to the Recipient:
 - (i) withhold in whole or in part the amount of the Financing allocated to such DLI Target;
 - (ii) disburse in whole or in part the withheld amount of the Financing allocated to such DLI Target at any later time prior to the Closing Date if and when the Association shall be satisfied that the DLI Target for any subsequent fiscal year (if applicable) under the same DLI has been fully achieved;

- (iii) reallocate in whole or in part any withheld amount of the Financing allocated to such DLI Target; and/or
- (iv) cancel in whole or in part any withheld amount of the Financing allocated to such DLI Target.

3. The Closing Date is October 31, 2022.

SCHEDULE 3

Repayment Schedule

Date Payment Due	Principal Amount of the Credit repayable (expressed as a percentage)*
On each May 15 and November 15:	
commencing November 15, 2022 to and including May 15, 2042	1.65%
commencing November 15, 2042 to and including May 15, 2047	3.4%

* 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.

SCHEDULE 4

DISBURSEMENT LINKED INDICATORS

Category (including Disbursement Linked Indicator as applicable)	Disbursement Linked Result (as applicable)	Amount of the Financing Allocated (expressed in EUR)
(1) DLI #1: Strengthen PPP institutions and capacity building	<i>DLR#1.1:</i> PFF regulations gazette-FY18	930,000
	<i>DLR#1.2:</i> PFF governance and operational manual approved and implemented-FY18	930,000
	<i>DLR#1.3:</i> PFF seed money provided-FY18	930,000
	<i>DLR#1.4:</i> Baseline circular to country government on PFF issued-FY19	1,400,000
	<i>DLR#1.5:</i> Baseline circular to country government on FCCL Framework issued-FY19	1,400,000
	<i>DLR#1.6:</i> Model templates for procurement for at least 3 sectors drafted-FY 20	1,800,000
	<i>DLR#1.7:</i> Applications processed for the viability gap fund window for the PFF-FY21	930,000
	<i>DLR#1.8:</i> All success fees for financially closed projects deposited in the PFF-FY21, and	460,000
	<i>DLR#1.9:</i> Liquidity reserve created - FY22	460,000
(2) DLI#2: Achieve PPP project preparation and procurement targets	<i>DLR#2.1:</i> At least 3 PFF funding agreements** signed- FY18	4,700,000

	<p>DLR#2.2: At least 3 additional 2 PFF funding agreements signed-FY19</p> <p>DLR#2.3: At least 2 additional PFF funding agreements signed for national PPP pipeline FY20</p> <p>DLR#2.4: At least 1 PFF funding agreement signed for County PPP pipeline-FY20</p> <p>DLR#2.5 At least 2 additional PFF funding agreements signed for national PPP pipeline FY21</p> <p>DLR#2.6: At least 1 PFF funding agreement signed for County PPP pipeline-FY21</p> <p>DLR#2.7: At least 2 additional PFF funding agreements signed for national PPP pipeline FY22</p> <p>DLR#2.8 At least 1 additional PFF funding agreements signed for national PPP pipeline FY22</p>	<p>9,400,000</p> <p>4,600,000</p> <p>1,900,000</p> <p>4,670,000</p> <p>1,900,000</p> <p>1,450,000</p> <p>1,450,000</p>
(3) DLI #3: Reach PPP project financial closure	<p>DLR #3.1: At least 1 PPP project achieved financial close FY20</p> <p>DLR #3.2 At least 1 additional PPP project achieved financial close FY21</p> <p>DLR #3.3 At least 2 additional PPP project achieved financial close FY 22</p>	<p>1,880,000</p> <p>1,880,000</p> <p>930,000</p>

*FY=Fiscal Year

** PFF funding agreements: includes agreements signed outside of the IFPPP project scope

APPENDIX

Section I. Definitions

1. “Annual Work Plan and Budget” or “AWPB” means each annual work plan, together with the related budget, for the Project approved by the Association pursuant to the provisions of Section I.C of Schedule 2 to this Agreement.
2. “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 and as of July 1, 2016.
3. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.
4. “County” means a devolved government structure established under Article 176 of the Recipient’s Constitution of 2010.
5. “County Government” or “CG” means the government established by the County, in accordance with the laws of the Recipient.
6. “Disbursement Linked Indicator” and the acronym “DLI” each means any one of the indicators set out in the table in Schedule 4 to this Agreement for the purposes of Parts 1 and 2 of the Project; and “DLIs” means, collectively, all such DLIs.
7. “Dam Safety Advisory Panel” means the panel to be appointed by the Recipient pursuant to Section I.E.4 of Schedule 2 to this Agreement, consisting of three experts for the purposes of, *inter alia*, reviewing the safety and operational aspects of the dams referred to in Section I.E.4 of Schedule 2 to this Agreement.
8. “DLI” or “Disbursement Linked Indicator” means any one of the indicators set out in the table in Schedule 4 to this Agreement; and “DLIs” means, collectively, all such DLIs.
9. “DLI Target” means the annual targets set to be achieved under each DLI as set forth in the table in Schedule 4 to this Agreement.
10. “DLI Target Achievement Date” means, with regard to each DLI Target, the end of the calendar period during which the relevant DLI Target is set to be achieved as set forth in the table in Schedule 4 to this Agreement.
11. “Disbursement Linked Result” or “DLR” means the result on the basis of the achievement of which, the amount of the Financing allocated to said result may

be withdrawn in accordance with the provisions of said Schedule 4 to the Financing Agreement.

12. “Eligible Expenditure Program” means a set of defined eligible expenditures for goods, works, consulting services, non-consulting services, Training and Operating Costs incurred by the Recipient under Parts 1 and 2 of the Project, and for which respective DLIs have been met.
13. “ESIA” or “Environmental and Social Impact Assessment” means any assessment to be prepared in accordance with the environmental and social screening guidelines, procedures and forms included in the ESMF, each such assessment in form and substance satisfactory to the Association, defining details of potential environmental and social risks and adverse impacts associated with the implementation of Project activities.
14. “ESMF” means the Environment and Social Management Framework prepared and adopted by the Recipient, entitled ‘Government of Kenya, Ministry of Finance, Kenya Infrastructure Finance & Public-Private Partnership (IFPPP) Program, Final Draft, Environmental and Social Management Framework’ and dated April 2012, updated on February 14, 2017, and disclosed locally on February 15, 2017, and at the Infoshop on February 21, 2017.
15. “ESMP” means an Environmental and Social Management Plan, acceptable to the Association and prepared in accordance with the ESMF for each PPP project to be developed under Part 2 of the Project, and “ESMPs” means, collectively, all such plans.
16. “FCCL Framework” means fiscal commitment and contingent liability framework established under the Recipient’s National Treasury which provides the structure for the overall management of financial obligations that arise from PPP transactions.
17. “FY” means the Recipient’s fiscal year which covers the period from July 1 to June 30.
18. “General Conditions” means the “International Development Association General Conditions for Credits and Grants”, dated July 31, 2010, with the modifications set forth in Section II of this Appendix.
19. “National Treasury” means the Recipient’s ministry responsible for finance.
20. “OAF Secretariat” means the secretariat established pursuant to regulations under the PPP Act of 2013 and includes the Project implementation unit, and referred to in Section I.A.1 of Schedule 2 to this Agreement.
21. “Officer Administering the Fund” or “OAF” means the office established pursuant to the regulations under the PPP Act of 2013 which shall be responsible

for managing the Project as specified in Section I.A of Schedule 2 to this Agreement.

22. "Operating Costs" means the reasonable incremental expenses incurred by the Recipient and approved by the Association attributable to Project implementation, management, and monitoring, consisting of costs of the following: office supplies and consumables; communication; office rentals and utility costs, costs for operation and maintenance of office vehicles; per diem and travel costs for Project staff; reasonable bank charges; allowances and salaries of contractual staff (but excluding the salaries of the Recipient's civil servants).
23. "Original Financing Agreement" means the financing agreement for a Infrastructure Finance and Public Private Partnerships Project between the Recipient and the Association, dated December 5, 2012, as amended to the date of this Agreement (Credit No. 5157-KE).
24. "Original Project" means the Project described in Schedule 1 to the Original Financing Agreement.
25. "Procurement Plan" means the Borrower's procurement plan for the Project, dated April 26, 2017, and provided for under Section IV of the Procurement Regulations, as the same may be updated from time to time in agreement with the Association.
26. "Procurement Regulations" means the "World Bank Procurement Regulations for Borrowers under Investment Project Financing", dated July 1, 2016.
27. "Project Implementation Manual" means the Project Implementation Manual dated January 2013, as updated in accordance with the provisions of Section I.B of Schedule 2 to this Agreement, as the same may be amended in accordance with the provisions of said Section.
28. "PFF" or "Project Facilitation Fund" means the PPP project facilitation fund established pursuant to Section 68 of the PPP Act of 2013, for purposes of supporting the Recipient's PPP program.
29. "Public-Private Partnerships" or "PPP" means an arrangement between the Recipient and a private party under which the private party undertakes to perform a public function or service on behalf of government for return.
30. "Public-Private Partnerships Committee" means the committee established pursuant to Section 7(f) of the PPP Act of 2013, which shall act as oversight committee for the Project as specified in Section I.A of Schedule 2 to this Agreement.

31. “Resettlement Action Plan” or “RAP” means the plan, satisfactory to the Association, to be prepared by the Recipient on the basis of the ESMF and RPF, as the said document may be amended and/or supplemented from time to time with the prior written concurrence of the Association and subject to the initial consultation and disclosure requirements carried out on the RAP, including, *inter alia*, a program of actions, measures and policies for the compensation, resettlement and rehabilitation of persons affected by the implementation of the Project, as the case may be, including as a result of the acquisition of land and other assets, and loss of access to land, other assets or income, whether permanent or temporary, together with adequate institutional, monitoring, reporting and grievance redress arrangements capable of ensuring proper implementation of, and regular compliance with, its terms, as such Plan may be updated from time to time with the prior approval of the Association.
32. “Resettlement Policy Framework” or “RPF” means the framework prepared and adopted by the Recipient, entitled ‘Ministry of Finance: Resettlement Policy Framework (RPF) for Public Private Partnership (PPP) Projects, Draft Final Report’ and dated April 2012, and updated on February 14, 2017, and disclosed locally on February 15, 2017, and at the Infoshop on February 21, 2017.
33. “Safeguard Frameworks” means, collectively, the ESMFs, RPF and VMGF; and “Safeguard Framework” means any one of the Safeguard Frameworks.
34. “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; (c) for which the RPF requires a RAP, said RAP; and (d) for which a VMGF requires a VMGP, said VMGP; all as shall have been prepared in accordance with the provisions of Section I.E of Schedule 2 to this Agreement.
35. “Social and Environmental Safeguard Policies” means the Association social and environmental safeguard policies which for purposes of this operation include Operational Policy (OP) 4.01 on Environmental Assessment, OP 4.04 on Natural Habitats, OP 4.09 on Pest Management; OP 4.11 on Physical and Cultural Resources, OP 4.10 on Indigenous Peoples, OP 4.12 on Involuntary Resettlement, and OP 4.37 on Dam Safety.
36. “Training” means the reasonable costs of training under the Project, based on annual budgets approved by the Association, and attributable to seminars, workshops, study programs and tours, along with tuition, travel and subsistence allowances for training participants, services of trainers, rental of training facilities, preparation and reproduction of training materials, and other activities directly related to course preparation and implementation.

37. “Vulnerable and Marginalized groups” or “VMGs” means distinct, vulnerable, social and cultural groups that may be identified pursuant to the criteria outlined in the VMGF for the purposes of this Project.
38. “Vulnerable and Marginalized Groups Framework” or “VMGF” means an instrument prepared by the Recipient, satisfactory to the Association, dated February 14, 2017, and disclosed locally on February 15, 2017, and at the Infoshop on February 21, 2017, outlining the basis for identifying vulnerable peoples and their rights, the appropriate consultative process as well as guidelines to avert, minimize, mitigate, or provide culturally appropriate compensation for any potentially adverse effects as the same may be amended from time to time with the Association’s prior written concurrence.
39. “Vulnerable and Marginalized Groups Plan” or “VMGP” means each of the plans to be prepared by the Recipient, satisfactory to the Association, which sets out the measures to be carried out by the Recipient to ensure that: (a) VMGs affected by the project receive culturally appropriate social and economic benefits; and (b) when potential adverse effects on VMGs are identified, those adverse effects are compensated for, avoided, minimized, or mitigated.

Section II. Modifications to the General Conditions

The General Conditions are hereby modified as follows:

1. Section 3.02 is modified to read as follows:

“Section 3.02. *Service Charge and Interest Charge*

 - (a) *Service Charge.* The Recipient shall pay the Association a service charge on the Withdrawn Credit Balance at the rate specified in the Financing Agreement. The Service Charge 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. Service Charges shall be computed on the basis of a 360-day year of twelve 30-day months.
 - (b) *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 shall be computed on the basis of a 360-day year of twelve 30-day months.”
2. Paragraph 28 of the Appendix (“Financing Payment”) is modified by inserting the words “the Interest Charge” between the words “the Service Charge” and “the Commitment Charge”.

3. 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 interest charge specified in the Financing Agreement for the purpose of Section 3.02 (b).”

4. Renumbered paragraph 37 (originally paragraph 36) of the Appendix (“Payment Date”) is modified by inserting the words “Interest Charges” between the words “Service Charges” and “Commitment Charges”.
5. Renumbered paragraph 50 (originally paragraph 49) of the Appendix (“Service Charge”) is modified by replacing the reference to Section 3.02 with Section 3.02 (a).