

**OFFICIAL  
DOCUMENTS**

KISIP GRANT NUMBER TF018327

***SIDA Cofinancing Kenya Informal  
Settlements Improvement Project Single  
Donor Trust Fund  
Grant Agreement***

**(Kenya Informal Settlements Improvement Project)**

between

**THE REPUBLIC OF KENYA**

and

**INTERNATIONAL DEVELOPMENT ASSOCIATION**

**acting as administrator of the SIDA Cofinancing Kenya Informal Settlements  
Improvement Project Single-Donor Trust Fund**

Dated **7 July**, 2015

**KISIP GRANT NUMBER TF018327**

**SIDA COFINANCING KENYA INFORMAL SETTLEMENTS IMPROVEMENT  
PROJECT SINGLE DONOR TRUST FUND  
GRANT AGREEMENT**

AGREEMENT dated JULY 7, 2015, entered into between:

REPUBLIC OF KENYA (“Recipient”); and

INTERNATIONAL DEVELOPMENT ASSOCIATION (“World Bank”), acting as administrator of the SIDA Cofinancing Kenya Informal Settlements Improvement Project Single-Donor Trust Fund.

WHEREAS (A) the Recipient: (i) having satisfied itself as to the feasibility and priority of the project described in Schedule 1 to the Agreement (the “Project”); (ii) has requested the World Bank, acting as administrator of various trust funds, to assist in the financing of the Project;

(B) said request has been approved in accordance with the rules and procedures governing the Trust Fund; and

(C) the Project is also financed from an International Development Association credit (IDA Credit No. 4873-KE, dated May 23, 2011) in the amount of SDR 65,000,000 (variously, “Credit” and “Financing”) as amended and restated.

WHEREAS The World Bank has agreed, on the basis, *inter alia*, of the foregoing, to extend a grant out of the Trust Fund to the Recipient upon the terms and conditions set forth in this Agreement.

NOW THEREFORE the World Bank and the Recipient hereby agree as follows:

**Article I  
Standard Conditions; Definitions**

- 1.01. The Standard Conditions for Grants Made by the World Bank Out of Various Funds, dated February 15, 2012 (“Standard Conditions”), 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 Standard Conditions or in this Agreement.

**Article II**  
**The Project**

- 2.01. The Recipient declares its commitment to the objectives of the project described in Schedule 1 to this Agreement (“Project”). To this end, the Recipient shall carry out the Project in accordance with the provisions of Article II of the Standard Conditions.
- 2.02. Without limitation upon the provisions of Section 2.01 of this Agreement, and except as the Recipient and the World Bank 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 III**  
**The Grant**

- 3.01. The World Bank agrees to extend to the Recipient, on the terms and conditions set forth or referred to in this Agreement, a grant in an amount equal to eight million three hundred thousand United States Dollars (\$8,300,000) (“Grant”) to assist in financing the Project.
- 3.02. The Recipient may withdraw the proceeds of the Grant in accordance with Section IV of Schedule 2 to this Agreement.
- 3.03. The Grant is funded out of the abovementioned trust fund for which the World Bank receives periodic contributions from the donors to the trust fund. In accordance with Section 3.02 of the Standard Conditions, the World Bank’s payment obligations in connection with this Agreement are limited to the amount of funds made available to it by the donor under the abovementioned trust fund, and the Recipient’s right to withdraw the Grant proceeds is subject to the availability of such funds.

**Article IV**  
**Additional Remedies**

- 4.01. The Additional Event of Suspension referred to in Section 4.02 (k) of the Standard Conditions consists of the following:

The relevant Subsidiary Agreement shall have been amended, suspended, abrogated, or waived so as to materially and adversely affect the ability of the relevant Water Services Board to perform any of its obligations under the Project or the Subsidiary Agreement.

**Article V**  
**Recipient's Representative; Addresses**

5.01. The Recipient's Representative referred to in Section 7.02 of the Standard Conditions is its Deputy Prime Minister and Minister for Finance.

5.02. The Recipient's Address referred to in Section 7.01 of the Standard Conditions is:

Ministry of Finance  
Treasury Building  
P.O. Box 30007-00100  
Nairobi, Kenya

Cable:	Telex:	Facsimile:
Financenairobi	22921 minfin-ke	254 20 330426

5.03. The World Bank's Address referred to in Section 7.01 of the Standard Conditions 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) or 64145 (MCI)	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

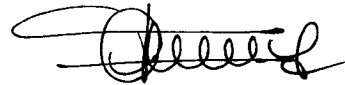
Title:

CABINET SECRETARY  
NA TUNAKI TREASURY

INTERNATIONAL DEVELOPMENT  
ASSOCIATION

acting as administrator of SIDA Cofinancing Kenya  
Informal Settlements Improvement Project Single-Donor Trust Fund

By



Authorized Representative

Name:

DIARICTOU GAYE

Title:

COUNCIL DIRECTOR KENYA

## **SCHEDULE 1**

### **Project Description**

The objective of the Project is to improve living conditions in informal settlements in Selected Urban Centers in Selected Counties in the Recipient's territory. The Project consists of the following parts:

#### Part A: Strengthening Institutions and Project Management

1. Carrying out activities to strengthen the capacity of the Ministry of Lands, Housing, and Urban Development (MLHUD), and other land institutions, such activities to consist of: (a) supporting a systematic training and capacity building program for MLHUD; and (b) carrying out any other relevant studies identified during Project implementation, all through provision of technical advisory services and goods.
2. Strengthening the institutional capacity of the Selected Counties to develop and implement: (a) slum or Settlement Upgrading Plans; (b) plans for financing infrastructure operations and maintenance and start-up costs; and (c) carrying out any other studies relevant to the work of MLHUD, all through provision of technical advisory services and carrying out consultative workshops.
3. Carrying out a range of activities for the implementation of the Project such activities to consist of: (a) mobilizing communities to participate in the designing and overseeing implementation of Settlement Upgrading Plans; (b) establishing a monitoring and evaluation system; and (c) carrying out socio-economic surveys of slum settlements at the beginning to establish a baseline and at the end of the Project to determine the impact of the Project's interventions; all through provision of goods, technical advisory services and training required for that purpose.
4. Carrying out an organizational and institutional capacity gap analysis on matters related to settlement upgrading in relevant institutions.
5. Carrying out gender mainstreaming analysis in Selected Counties, and help build capacity at all levels to ensure that the Project addresses women's needs.

#### Part B: Enhancing Tenure Security

Carrying out activities to enhance tenure security in urban informal settlement (including provision of technical advisory services, goods and training required for that purpose), such activities to include: (i) conducting detailed mapping of existing slum settlements; (ii) organizing and mobilizing communities to participate in the informal settlements upgrading activities; (iii) identifying and

determining settlement boundaries; (iv) preparing local physical development plans; (v) preparing guidelines for implementing the National Land Policy in informal settlements; (vi) establishing a database on the land tenure status of slums; (vii) establishing and upgrading of the Geographic Information Systems labs at the MLHUD and related institutions; (viii) surveying individual plots and preparing registry index maps; (ix) preparing, registering, and issuing titles to individual households or to groups; (x) reviewing and updating the 2012 land tenure regularization guidelines; (xi) preparing base maps of settlements benefiting from the planning and surveying; and (xii) supporting the development and implementation of the national land information management system, including the digitalization of land records.

Part C: Investing in Infrastructure and Service Delivery

Carrying out activities to invest in infrastructure and service delivery (including provision of technical advisory services, training, goods and works required for that purpose) such activities to consist of: (i) constructing roads, bicycle paths, pedestrian walkways, storm water drainage systems; (ii) constructing water and sanitation systems; (iii) establishing public parks and green spaces; (iv) installing street and security lighting; (v) solid waste management; (vi) electrification; (vii) extension of trunk infrastructure to settlements; (viii) expansion of primary schools, clinics, and facilities for early childhood education; (ix) upgrading settlements in Kilifi county; and (x) any other relevant investments agreed with the World Bank.

Part D: Planning for Urban Growth

1. Carrying out activities for strengthening the capacity of the Recipient at the national level to plan for urban growth, such activities to include: (a) developing systems, standards, or policies that facilitate delivery of serviced land and housing for low-income households; (b) undertaking a housing survey; (c) undertaking a situational analysis; and (d) preparing a planning manual for informal settlements.
2. Supporting the Selected Counties in implementing a range of activities to plan for urban growth through provision of technical advisory services and goods required for that purpose.”

## SCHEDULE 2

### Project Execution

#### Section I. Implementation Arrangements

##### A. Institutional Arrangements

###### *Ministry of Lands, Housing, and Urban Development*

1. The MLHUD shall be responsible for the overall coordination of the Project including financial management, procurement, monitoring and evaluation, and reporting.

###### *Project Steering Committee*

2. In order to promote effective Project implementation, the Recipient shall maintain the Project Steering Committee (PSC) with adequate resources and staff with skills and experience satisfactory to the World Bank.

###### *National Project Coordinator*

3. The Recipient shall maintain a National Project Coordinator (NPC) with qualifications and skills satisfactory to the World Bank with the responsibility for coordinating the Project, liaising with the Component Heads and supervising the National Project Coordination Team.

###### *National Project Coordination Team*

4. The Recipient shall: (a) maintain the National Project Coordination Team (PCT) comprising the National Project Coordinator, four Component Heads, team assistants and such other technical specialists as may be agreed with the World Bank, including in the following areas: financial management, procurement, environmental management, gender, social and community development, monitoring and evaluation all with qualifications and experience satisfactory to the World Bank; and (b) ensure that the PCT has adequate resources to promote effective implementation of the Project.

###### *County Project Coordination Team*

5. The Recipient shall ensure that each Selected County establishes and maintains throughout Project implementation a County Project Coordination Team comprising the County Project Coordinator, four Component Heads, team assistants and such other technical specialists as may be agreed with the World Bank, including in the following areas: financial management, procurement,



environmental management, gender, social and community development, monitoring and evaluation all with qualifications and experience satisfactory to the World Bank.

6. Without limitation upon the provisions of paragraph 5 of this Section, each respective County Project Coordination Team shall be responsible for the overall Project coordination at the county level.

**B. Anti-Corruption**

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

**C. Safeguards**

1. The Recipient shall:

- (a) implement the Environmental and Social Management Framework (ESMF) in a manner satisfactory to the World Bank, designed to ensure that the Project is implemented in accordance with sound environmental practices and standards;
- (b) as may be necessary in accordance with the requirements set forth in said ESMF and in a manner satisfactory to the World Bank, carry out, environmental and social assessments and prepare and implement environmental management plans acceptable to the World Bank;
- (c) provide to the World Bank for its prior approval any revision proposed to be introduced into said ESMF or into any environmental management plan prepared pursuant to said ESMF in order to achieve its objectives, and thereafter only introduce such revision into said ESMF or said plan as shall have been agreed with the World Bank and subject to the requirements for public consultation and disclosure carried out in preparing the original documents;
- (d) maintain policies and procedures adequate to enable it to monitor and evaluate, in accordance with guidelines acceptable to the World Bank, the implementation of said ESMF and environmental management plans, and the achievement of their respective objectives; and
- (e) in case of a conflict between the ESMF and the provisions of this Agreement, ensure that the provisions of this Agreement shall prevail.

2. The Recipient shall:
  - (a) implement the Resettlement Policy Framework (RPF) in a manner satisfactory to the World Bank;
  - (b) wherever implementation of the Project or any part thereof, would give rise to Displaced Persons due to land acquisition and its associated impacts or involuntary resettlement, prior to commencing such implementation, provide to the World Bank for its review a resettlement action plan prepared in accordance with the principles and procedures set forth in said RPF and, thereafter, implement and cause to be implemented, in a manner satisfactory to the World Bank, such resettlement action plan as shall have been approved by the World Bank;
  - (c) provide to the World Bank for its prior approval any revision proposed to be introduced into said RPF or into any resettlement plan prepared pursuant to said RPF in order to achieve its objectives, and thereafter only introduce such revision into said RPF or said plan as shall have been agreed with the World Bank and subject to the requirements for public consultation and disclosure carried out in preparing the original documents;
  - (d) maintain policies and procedures adequate to enable it to monitor and evaluate, in accordance with guidelines acceptable to the World Bank, the implementation of said RPF and any resettlement plan prepared pursuant thereto, and the achievement of their respective objectives; and
  - (e) in case of a conflict between the RPF and the provisions of this Agreement, ensure the provisions of this Agreement shall prevail.
3. Except as the World Bank shall otherwise agree in writing and subject to the requirements for public consultation and disclosure carried out in preparing the original documents, the Recipient shall not amend or waive any provision of the ESMF, RPF, resettlement action plans and environmental management plans, if any such amendment or waiver may, in the opinion of the World Bank, materially or adversely affect the implementation of the Project.
4. 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 World Bank, calling for such services to deliver products which take into account, and are consistent with, the World Bank's social and environmental safeguard policies.

**D. KISIP Operations Manual**

The Recipient shall: (a) throughout the implementation of the Project, implement the Project in accordance with the KISIP Operations Manual; (b) except as the World Bank shall otherwise agree in writing, not amend or waive, or permit to be amended or waived any provision of the KISIP Operations Manual if such amendment or waiver may, in the opinion of the World Bank, materially or adversely affect the implementation of the Project; and (c) in case of a conflict between the provisions of this Agreement and the KISIP Operations Manual, the provisions of this Agreement shall prevail.

**E. Social Accountability**

The Recipient shall throughout the implementation of the Project, ensure that there are adequate Social Accountability mechanisms to ensure that Selected Counties and stakeholders participate in the monitoring of the use of Project resources.

**F. County Projects**

1. The Recipient, through the MLHUD, shall implement settlement upgrading investments under the Project. The Recipient shall ensure that the said settlement upgrading investments are implemented in settlements which meet the eligibility criteria in the KISIP Operations Manual including: (a) clear land ownership status; (b) located in an environmentally sound site; and (c) community demonstrates readiness to participate in the Project as evidenced by: (i) the setting up of a Settlement Executive Committee; (ii) developing in a participatory manner a satisfactory Settlement Upgrading Plan, and (iii) the relevant Settlement Executive Committee has approved a Community Resolution to participate in the Project.
2. In cases where financing to implement the settlement investments referred to in paragraph 1 immediately above are being provided to Selected Counties ("County Projects"), the Selected Counties must meet the eligibility criteria set forth in the KISIP Operations Manual including: (i) submitting signed County Agreements with the MLHUD, specifying the respective roles and responsibilities of the county and urban administrations in implementing the investments; and (ii) opening a Project account in a commercial bank, both satisfactory to the World Bank.
3. In the case of County Projects referred to in paragraph 2 immediately above, the Recipient shall provide financing to the Selected Counties under County Agreements consistent with the Model County

Agreement to be prepared by the Recipient, which shall, among other provisions, stipulate terms and conditions acceptable to the World Bank, which shall, *inter alia*, include the following:

- (a) opening and maintaining throughout the implementation of the Project, a county project account in a commercial bank satisfactory to the World Bank;
- (b) provision of financing for the County Projects on a grant basis;
- (c) rights adequate to protect the Recipient's interests and those of the World Bank, including the right to: (i) suspend or terminate the right of a Selected County to use the proceeds of the financing or obtain a refund of all or any part of the amount of financing then withdrawn, upon the Selected County's failure to perform any of its obligations under the applicable County Agreement; and (ii) require each Selected County to: (A) carry out the County Project with due diligence and efficiency and environmental and social standards and practices satisfactory to the World Bank, including in accordance with the provisions of the Anti-corruption Guidelines; (B) provide, promptly as needed, the resources required for the purpose; (C) procure the goods, works and services to be financed out of the financing in accordance with the provisions of the KISIP Operations Manual; (D) maintain policies and procedures adequate to enable it to monitor and evaluate in accordance with indicators acceptable to the World Bank, the progress of the County Project and the achievement of its objectives; (E) (1) maintain a financial management system and prepare financial statements in accordance with consistently applied accounting standards acceptable to the World Bank, both in a manner adequate to reflect the operations, resources and expenditures related to the County Project; and (2) at the World Bank's or the Recipient's request, have such financial statements audited by independent auditors acceptable to the World Bank, in accordance with consistently applied auditing standards acceptable to the World Bank, and promptly furnish the statements as so audited to the Recipient and the World Bank; (F) enable the Recipient and the World Bank to inspect the County Project, its operation and any relevant records and documents; and (G) prepare and furnish to the Recipient and the World Bank all such information as the Recipient or the World Bank shall reasonably request relating to the foregoing; and

- (d) the Recipient shall exercise its rights under each County Agreement in such manner as to protect the interests of the Recipient and the World Bank and to accomplish the purposes of the Grant. Except as the World Bank shall otherwise agree, the Recipient shall not assign, amend, abrogate or waive any County Agreement or any of its provisions.”

**G. Subsidiary Agreement**

- 1. The Recipient shall through MLHUD ensure that prior to submitting a withdrawal application with respect to a Water Service Board, the Recipient has entered into an agreement (Subsidiary Agreement) consistent with the Model Subsidiary Agreement to make the proceeds of the Grant allocated to the Water Service Boards on a grant basis and under terms and conditions approved by the World Bank, which shall require each Water Services Board to, *inter alia*:
  - (a) carry out its Subproject with due diligence and efficiency and in conformity with appropriate administrative, technical, financial, economic, environmental and social standards and practices, including the provisions of the Anti-Corruption Guidelines and in accordance with the provisions of this Agreement;
  - (b) procure all works, goods and services required for its Subproject to be financed out of the proceeds of the Grant 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 the Subproject;
  - (c) (i) maintain records adequate to record the progress of its Subproject (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 Grant and provide evidence of their use in the Subproject; (ii) furnish such records and information as may be requested by the Recipient or the World Bank; and (iii) retain all records evidencing expenditures under their respective Subproject 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 World Bank, the progress of its respective Subproject and the achievement of its objective; (ii) prepare periodic reports, in form and substance satisfactory to the World Bank, 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 Subproject, and to achieve its objectives, each such

report to cover every quarter; (iii) furnish each such report to the Recipient within fifteen days after 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 World Bank shall reasonably request, on the execution of its respective subproject, and furnish the same to the Recipient within fifteen days after the end of such period to enable the Recipient to incorporate such report in its report and comply with its obligations under Section II of this Schedule 2;

- (e) (i) maintain a financial management system and prepare financial statements in accordance with consistently applied accounting standards acceptable to the World Bank, both in a manner adequate to reflect its operations and financial condition, including the operations, resources and expenditures related to its respective Subproject; (ii) avail the records pertaining to the Subproject to external and internal auditors for audit; and (iii) prepare and submit for each quarter, within fifteen days after the end of each quarter, interim unaudited financial reports relating to the previous quarter to the MLHUD for consolidation and such other information concerning such unaudited financial statements as the World Bank 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 World Bank; and (ii) ensure that the funds deposited into the Project Account shall be used exclusively to finance the cost of expenditures related to the Subprojects.

2. The Recipient shall exercise its rights and carry out its obligations under the Subsidiary Agreements in such manner as to protect the interests of the Recipient and the World Bank and to accomplish the purposes of the Grant. Except as the World Bank shall otherwise agree, the Recipient shall not assign, amend, abrogate or waive the Subsidiary Agreements or any of their provisions.

#### **H. Donor Visibility and Visit**

1. The Recipient shall take or cause to be taken all such measures as the World Bank may reasonably request to identify publicly the Donor's support for the Project.
2. For the purposes of Section 2.09 of the Standard Conditions, the Recipient shall, upon the World Bank's request, enable the representatives of the Donor to visit any part of the Recipient's territory for purposes related to the Project.

**Section II. Project Monitoring, Reporting and Evaluation**

**A. Project Reports; Completion Report**

1. The Recipient shall monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 2.06 of the Standard Conditions and on the basis of indicators acceptable to the World Bank and set forth in the KISIP Operations Manual. Each Project Report shall cover the period of three months, and shall be furnished to the World Bank not later than forty-five (45) days after the end of the period covered by such report.
2. The Recipient shall prepare the Completion Report in accordance with the provisions of Section 2.06 of the Standard Conditions. The Completion Report shall be furnished to the World Bank not later than six months after the Closing Date.

**B. Financial Management; Financial Reports; Audits**

1. The Recipient shall ensure that a financial management system is maintained in accordance with the provisions of Section 2.07 of the Standard Conditions.
2. The Recipient shall ensure that interim unaudited financial reports for the Project are prepared and furnished to the World Bank as part of the Project Report not later than forty five days after the end of each calendar quarter, covering the quarter, in form and substance satisfactory to the World Bank.
3. The Recipient shall have its Financial Statements for the Project audited in accordance with the provisions of Section 2.07 (b) of the Standard Conditions. Each audit of the Financial Statements shall cover the period of one fiscal year of the Recipient. The audited Financial Statements and a Management Letter for such period shall be furnished to the World Bank not later than six months (6) after the end of such period.

**Section III. Procurement**

**A. General**

1. **Procurement and Consultant Guidelines.** All goods, works and consultants' services required for the Project and to be financed out of the proceeds of the Grant shall be procured in accordance with the requirements set forth or referred to in:
  - (a) Section I of 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 ("Procurement Guidelines") in the case of goods and works, and Sections I and IV of the "Guidelines:

Selection and Employment of Consultants under IBRD Loans and IDA Credits and Grants by World Bank Borrowers” dated January 2011 (“Consultant Guidelines”) in the case of consultants’ services; and

- (b) the provisions of this Section III, as the same shall be elaborated in the procurement plan prepared and updated from time to time by the Recipient for the Project in accordance with paragraph 1.18 of the Procurement Guidelines and paragraph 1.25 of the Consultant Guidelines (“Procurement Plan”).

- 2. **Definitions.** The capitalized terms used below in this Section to describe particular procurement methods or methods of review by the World Bank 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 Works**

- 1. **International Competitive Bidding.** Except as otherwise provided in paragraph 2 below, goods and works shall be procured under contracts awarded on the basis of International Competitive Bidding.
- 2. **Other Methods of Procurement of Goods and Works.** The following table specifies the methods of procurement, other than International Competitive Bidding, which may be used for goods and works. The Procurement Plan shall specify the circumstances under which such methods may be used:

<b>Procurement Method</b>	
(a)	Limited International Bidding
(b)	National Competitive Bidding, subject to the following additional provisions.*
(c)	Shopping
(d)	Direct Contracting

- (\*) National Competitive Bidding shall be undertaken in accordance with the Recipient’s Public Procurement and Disposal Act, 2005 (no. 3 of 2005) (herein referred to as the “PPDA”), and its Public Procurement Disposal Regulations, 2006 (herein referred to as the “Regulations”), as may be amended from time to time, subject, however, to the following qualifications:



- (i) the 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;
- (ii) 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;
- (iii) the Recipient shall use, or cause to be used, bidding documents and tender documents containing, *inter alia*, draft contracts and conditions of contracts, including provisions on fraud and corruption, audit and publication of award in form and substance satisfactory to the World Bank;
- (iv) 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 World Bank;
- (v) evaluation tender shall be based on quantifiable criteria expressed in monetary terms as defined in the tender documents, and not on a merit points system;
- (vi) no domestic preference shall be used in the evaluation of tenders. Accordingly, contracts shall be awarded to qualified tenderers having submitted the lowest evaluated substantially responsive tender;
- (vii) notification of contract award shall constitute formation of the contract. No negotiation shall be carried out prior to contract award;
- (viii) the two envelope bid opening procedure shall not apply; and
- (ix) Shopping procedure will apply for each low value contract in lieu of Direct Procurement, except as otherwise previously agreed in writing by the World Bank.

**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 table specifies methods of procurement, other than Quality- and Cost-based Selection,

which may be used for consultants' services. The Procurement Plan shall specify the circumstances under which such methods may be used.

<b>Procurement Method</b>	
(a)	Quality-based Selection
(b)	Least Cost Selection
(c)	Selection based on Consultants' Qualifications
(d)	Single-source Selection
(e)	Procedures set forth in paragraphs 5.2, 5.3 and 5.4 of the Consultant Guidelines for the Selection of Individual Consultants

**D. Review by the World Bank of Procurement Decisions**

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

**Section IV. Withdrawal of Grant Proceeds**

**A. General**

1. The Recipient may withdraw the proceeds of the Grant in accordance with the provisions of: (a) Article III of the Standard Conditions; (b) this Section; and (c) such additional instructions as the World Bank may 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 World Bank 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 Grant ("Category"), the allocations of the amounts of the Grant to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category:

<b>Category</b>	<b>Amount of the Financing Allocated (expressed in USD)</b>	<b>Percentage of Expenditures to be Financed (inclusive of Taxes)</b>
(1) Goods (including vehicles), and consultants' services for Parts A, B and D of the Project, and training costs for all parts of the Project	1,600,000	11%
(2) Goods, works, consultants' services, for Part C of the Project	6,500,000	11%
(3) Operating costs	200,000	11%
<b>TOTAL AMOUNT</b>	<b>8,300,000</b>	

**B. Withdrawal Conditions; Withdrawal Period**

1. Notwithstanding the provisions of Part A of this Section no withdrawal shall be made for payments made prior to the date of this Agreement.
2. The Closing Date referred to in Section 3.06 (c) of the Standard Conditions is June 30, 2016.

## APPENDIX

### **Section I. Definitions**

1. “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 January 2011.
2. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.
3. “Community Resolution” means a resolution issued and submitted by the Settlement Executive Committee to MLHUD prior to the commencement of implementation of settlement level infrastructure, confirming that the plans and investments for upgrading the informal settlement have the support of the majority of community members.
4. “Component Head” means one of the lead technical specialists in the National Project Coordination Team or the County Project Coordination Team (as hereinafter defined) selected by the Recipient to lead implementation of a specified Part of the Project.
5. “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).
6. “County Agreement” means an Agreement entered into between a Selected County and MLHUD setting out the terms for implementing a County Project.
7. “County Project Coordination Team” means the county level Project coordination team responsible for implementing the Project at the county level.
8. “County Project Coordinator” means the team leader responsible for the implementation of the Project at the County level.
9. “County Project” means activities implemented by the Selected Counties for improving the informal settlements in Selected Counties including implementation of Settlements Upgrading Plans.
10. “Displaced Person” means a person who, on account of involuntary taking of land under the Project, had or would have his or her: (i) standard of living adversely affected; or (ii) right, title, or interest in any house, land (including premises, agricultural and grazing land) or any other fixed or movable asset

acquired or possessed, temporarily or permanently; or (iii) access to productive assets adversely affected, temporarily or permanently; or (iv) business, occupation, work or place of residence or habitat adversely affected, temporarily or permanently.

11. “Environmental and Social Management Framework” or “ESMF” means the Recipient’s framework dated January 2011, describing the environmental mitigation, monitoring, and institutional measures to be applied in the implementation of the Project, including the procedures for preparing the environmental management plans, including the appropriate measures for avoiding or mitigating impacts on physical cultural resources and the resettlement action plans, as the same may be amended from time to time with the prior written approval of the World Bank.
12. “Geographic Information System” means a system that captures, stores, analyzes, manages and presents data with reference to geographic location data
13. “Kenya Shilling” or “KES” means the currency of the Recipient.
14. “KISIP Operations Manual” means a manual prepared by the Recipient setting forth the rules, procedures, standards and guidelines for the implementation of the Project and referred to in Section I.D of Schedule 2 to this Agreement, as the same may be amended and supplemented from time to time with the prior written concurrence of the World Bank.
15. “Management Letter” means a letter issued by the external auditors as part of the annual audit report setting forth internal control weaknesses identified during the audit period and referred to in Section II.B (3) of Schedule 2 to this Agreement.
16. “MLHUD” or “Ministry of Lands, Housing, and Urban Development” means the Recipient’s Ministry responsible for lands, housing, and urban development, or its legal successor thereto.
17. “Model County Agreement” means a model agreement to be prepared by the Recipient satisfactory to the World Bank setting out the standard terms and conditions of County Agreements as the same may be amended and supplemented from time to time with the prior written concurrence of the World Bank’s said Model County Agreement to be included in the KISIP Operations Manual.
18. “National Land Policy” means the Recipient’s policy encapsulated in Sessional Paper No.3 of 2009 on National Land Policy dated August 2009 detailing the general principles governing land use, administration and management.

19. “National Project Coordination Team” means the national level Project team responsible for overall coordination of the Project at the national level.
20. “National Project Coordinator” or “NPC” means the team leader responsible for the implementation of the Project at the national level.
21. “Operating Costs” means the incremental expenses incurred on account of the Project by the Recipient in accordance with budgets approved by the World Bank to meet vehicle operating costs, office operating costs, bank charges and staff travel related expenses (but excluding salaries and honoraria of officials of the Recipient’s civil service).
22. “Procurement Audit” means an assessment of procurement for compliance with the procurement procedures and laws and includes mitigating measures to address identified risks.
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 July 24, 2014, 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. “Project Coordination Team” or “PCT” means the national level Project coordination team responsible for implementing the Project at the national level.
26. “Project Steering Committee” means a committee established by the Recipient chaired by the permanent secretary of the MLHUD and includes selected representatives of the Selected Counties and relevant government ministries.
27. “Resettlement Policy Framework” or “RPF” means the policy framework satisfactory to the World Bank prepared by the Recipient as part of the ESMF dated January 2011, setting out measures in support of Displaced Persons as the said document may be amended and/or supplemented from time to time with the prior written concurrence of the World Bank.
28. “Selected Counties” means the counties selected from among the counties of Garissa, Kakamega, Kilifi, Kiambu, Kericho, Kisumu, Kitui, Machakos, Mombasa, Mumias, Nairobi City, Nakuru, Nyeri, and Uasin Gishu.
29. “Selected Urban Centers” means the municipalities selected from among the municipalities of Eldoret, Embu, Garissa, Kakamega, Kericho, Kilifi, Kitui,

Kisumu, Malindi, Mombasa, Machakos, Mavokos, Mumias, Nakuru, Nyeri, Naivasha, Thika, and Nairobi.

30. “Settlement Upgrading Plan” means a plan agreed to by a Settlement Executive Committee to upgrade its informal settlement.
31. “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 to the Selected Counties, project operational results, project implementation progress, audit findings; reports on corruption and fraud; and mechanisms for public complaints and feedback.
32. “Subproject” means a set of specific activities carried out or to be carried out by a respective Water Services Board (as hereinafter defined) and financed or proposed to be financed out of the proceeds of this Credit.
33. “Subsidiary Agreement” means an agreement entered into between the Recipient through MLHUD and each respective Water Services Boards for the purpose of implementing a Subproject.
34. “Training” means seminars, workshops and study tours and training related costs including travel, subsistence allowances for training participants, trainers’ fees, rental of training facilities, preparation and reproduction of training materials and other activities incidental to the preparation and implementation of training activities.
35. “Water Services Boards” means the water services board selected from among the Water Services Boards of Athi Water Services Board, Coast Water Services Board, Lake Victoria North Water Services Board, Lake Victoria South Water Services Board, Northern Water Services Board, Rift Valley Water Services Board, Tana Water Services Board; Tanathi Water Services Board; or any other Water Services Boards agreed with the World Bank; all set up pursuant to the Recipient’s Water Act of 2002 and have met the eligibility criteria set forth in the KISIP Operations Manual for implementing activities under the Project.