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**CREDIT NUMBER 4592-KE**

# **Financing Agreement**

**(Kenya Agricultural Productivity and Agribusiness Project)**

**between**

**REPUBLIC OF KENYA**

**and**

**INTERNATIONAL DEVELOPMENT ASSOCIATION**

**Dated July 06, 2009**

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**CREDIT NUMBER 4592 -KE**

**FINANCING AGREEMENT**

AGREEMENT dated July 06, 2009, entered into between REPUBLIC OF KENYA (“Recipient”) and INTERNATIONAL DEVELOPMENT ASSOCIATION (“Association”). The Recipient and the Association hereby agree as follows:

**ARTICLE I — GENERAL CONDITIONS; DEFINITIONS**

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

**ARTICLE II — FINANCING**

- 2.01. The Association agrees to extend to the Recipient, on the terms and conditions set forth or referred to in this Agreement, a credit in an amount equivalent to fifty five million Special Drawing Rights (SDR 55,000,000) (variously, “Credit” and “Financing”) to assist in financing the project described in Schedule 1 to this Agreement (“Project”).
- 2.02. The Recipient may withdraw the proceeds of the Financing in accordance with Section IV of Schedule 2 to this Agreement. The Recipient’s Representative for purposes of taking any action required or permitted to be taken pursuant to this Section is the Minister for Finance.
- 2.03. The Maximum Commitment Charge Rate payable by the Recipient on the Unwithdrawn Financing Balance shall be one-half of one percent (1/2 of 1%) per annum.
- 2.04. The Service Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to three-fourths of one percent (3/4 of 1%) per annum.
- 2.05. The Payment Dates are May 1 and Nov 1 in each year.
- 2.06. The principal amount of the Credit shall be repaid in accordance with the repayment schedule set forth in Schedule 3 to this Agreement.
- 2.07. The Payment Currency is Dollar.

**ARTICLE III — PROJECT**

- 3.01. The Recipient declares its commitment to the objectives of the Project and the Program. To this end, the Recipient shall carry out the Project through the Ministry of Agriculture (MoA) and cause Part 2 (c) and (d) of the Project to be carried out by the Kenya Agricultural Research Institute (KARI).
- 3.02. Without limitation upon the provisions of Section 3.01 of this Agreement, and except as the Recipient and the Association shall otherwise agree, the Recipient shall ensure that the Project is carried out in accordance with the provisions of Schedule 2 to this Agreement.
- 3.03. Except as the Recipient and the Association shall otherwise agree, the Recipient shall:
- (a) maintains in Kenya Shillings, until the completion of the Project, an account (Project Account) in a commercial bank acceptable to the Association for purposes of the Project, on terms and conditions satisfactory to the Association;
  - (b) replenish its respective account from its own resources sufficient to cover the portion of counterpart financing requirements for which it is responsible for under the Project financing plan and which are projected to be made under the Project in the succeeding three months; and
  - (c) ensure that the funds deposited into the said accounts in accordance with paragraph (b) of this Section shall be used exclusively to finance Eligible Expenditures under the Project.

#### **ARTICLE –IV EFFECTIVENESS; TERMINATION**

- 4.01. The Additional Conditions of Effectiveness consist of the following:
- (a) The Recipient has adopted a Project Implementation Plan (PIP) in form and substance Satisfactory to the Association.
  - (b) The Recipient has pursuant to Section 3.03 of this Agreement opened a Project Account and deposited therein an initial deposit in the amount of KES 6,000,000.
  - (c) The Recipient has updated and submitted to the Association a Financial Management Procedures Manual in form and substance satisfactory to the Association.
  - (d) The Recipient has submitted in form and substance satisfactory to the Association, KAPP's Special Account to the external auditors relating to an amount equivalent to \$8,189,245.82, which has not been accounted

for under the Fiscal Year 2007/2008 audit report relating to the Association financed KAPP.

- (e) The Recipient has secured suitable office space for the KAPAP Secretariat and assigned an agri-business specialist, a gender and social specialist, an environmental specialist, regional coordinators, monitoring and evaluation specialists, accountants and other support staff in the 20 Regional Service Units, all with qualifications, experience and terms of reference satisfactory to the Association.

- 5.01. The Effectiveness Deadline is the date ninety (90) days after the date of this Agreement.

**ARTICLE VI — REPRESENTATIVE; ADDRESSES**

- 6.01. The Recipient’s representative is the Minister for Finance.

- 6.02. The Recipient’s Address is:

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

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

- 6.03. The Association’s Address is:  
 International Development Association  
 1818 H Street, N.W.  
 Washington, D.C. 20433  
 United States of America

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

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

**REPUBLIC OF KENYA**

**By /s/ Uhuru Kenyatta**

**Authorized Representative**

**INTERNATIONAL DEVELOPMENT ASSOCIATION**

**By /s/ Johannes Zutt**

**Authorized Representative**

## SCHEDULE 1

### Project Description

The objective of the Project is to increase the agricultural productivity and incomes of participating small-holder farmers in the Project Area.

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

#### **Part 1.**

#### **Policy, Institutional and Project Implementation**

- (a) Supporting the development and implementation of the Agricultural Sector Development Strategy (ASDS) investment plan.
- (b) Supporting activities that will facilitate the harmonization of both the Recipient's Government and donor supported agricultural programs and align them with the ASDS.
- (c) Conducting a sector-wide consultative process to highlight opportunities for increasing agricultural productivity and investments.
- (d) Supporting the development and implementation of priority sector policies such as for livestock, aquaculture, co-operatives and agribusiness.
- (e) Supporting the developing, implementing and mainstreaming of cross-cutting issues such as gender and environmental and social policies in the agricultural sector program.
- (f) Developing and piloting a roles and resources analytical model in the targeted value chains to ensure women and men equitably benefit from trade and market-based approaches.
- (g) Developing a Project specific and a harmonized sector-wide monitoring and evaluation system in the agricultural sector and implementing the Management Information System
- (h) Implementing the Agricultural sector information and communication strategy.
- (i) Supporting the institutional capacity of the Project implementation structures established under KAPP through financing of their Operating Costs, training and provision of vehicles.

- (j) Supporting activities which promote networking among the various players in the agricultural sector.

**Part 2. Agricultural Research Systems**

- (a) Implementing the various activities outlined in the National Agricultural Research System (NARS) policy to promote development and coordination of agricultural research in the country.
- (b) Supporting competitive collaborative agricultural Research Grants.
- (c) Building the institutional and research capacity of KARI through implementation of various activities outlined in the KARI Strategic Plan 2009-2014 including, conducting research programs, implementing initiatives for promoting sustainable research funding, purchasing of laboratory equipment, purchasing of vehicles and the construction of office blocks at Garissa District.
- (d) Provision of Operating Costs, and setting up of ICT infrastructure.

**Part 3. Agricultural Extension, Farmer and other Stakeholder Empowerment**

- (a) Supporting the implementation of the various initiatives outlined in the National Agricultural Sector Extension Policy (NASEP) including the capacity building of extension providers and the farmers.
- (b) Providing Farmers' Grants to farmer groups and organizations to implement agricultural productivity, marketing and agribusiness Micro-projects which transform subsistence farming to commercial agricultural enterprises.
- (c) Strengthening the capacity of the farmers, farmers' associations, farmers and stakeholders fora, co-operatives and the Kenya National Federation of Agricultural Producers (KENFAP) through training, and dissemination of information on agriculture and agribusinesses.
- (d) Supporting the establishment of national and district information resource centers and information desks at the local level through provision of ICT and training.

**Part 4.            Agribusiness and Market Development**

- (a) Supporting public and private stakeholders along commodity chains to plan, design and deliver agribusiness services aimed at value-addition, and linking producers to markets.
- (b) Developing and delivering curricula in agribusiness development and appropriate processing technologies.
- (c) Conducting a study on Agro-Food Parks and setting up four in the selected Provinces and one at the national level.
- (d) Designing an Agribusiness partial risk guarantee financing instrument to provide commercial banks and other financial institutions an incentive for lending to agribusiness.
- (e) Conducting a study and developing weather-based risk insurance products to insure farmers against weather related risks.
- (f) Conducting a study and pilot on the use of off-grid renewable energy sources for agri-business development.



## SCHEDULE 2

### Project Execution

#### Section I. Implementation Arrangements

##### A. Institutional Arrangements

###### National Level

1. The Recipient through the Ministry of Agriculture (MoA) shall implement Parts 1, 2(a), 2(b), 3 and 4 of the Project and cause the Kenya Agricultural Research Institute (KARI) to implement Parts 2 (c) and 2(d) of the Project. To this end, the Recipient and KARI shall carry out the Project as specified in Section 3.01 of this Agreement and the Recipient shall ensure throughout Project implementation that MoA and KARI have adequate resources and staff with skills and experience satisfactory to the Association.
2. The MoA shall be responsible for the overall coordination and fiduciary responsibility of the Project and shall maintain throughout the implementation of the Project an Inter-Ministerial Coordination Committee (ICC) comprising of Permanent Secretaries of the Participating Ministries.
3. The ICC shall be responsible for providing policy guidance on all issues relating to the sector, the Project and Program, and endorsing annual work plans and budgets approved by the Agricultural Sector Program Steering Committee (ASPSC); and the Participating Ministries shall be responsible for implementing activities within their respective areas of responsibility.
4. The Recipient through MoA shall no later than July 30, 2009 establish an ASPSC comprising of all the Participating Ministries, KARI, representatives of the KENFAP, civil society, private sector, non-governmental organizations and community based organization.
5. The ASPSC which will meet on a quarterly basis shall be responsible for (a) approving the work programs proposals including for research Micro-projects and oversight, monitoring and evaluation of the Micro-projects planned and implemented at regional level; (b) reviewing and approving the annual work plans and budgets; and (c) reviewing and endorsing policy changes for the ICC consideration.
6. The Recipient through MoA shall:

- (a) no later than July 30, 2009 establish and maintain throughout the implementation of the Project, a KAPAP Secretariat responsible for facilitating and coordinating the day to day implementation of the Project and act as Secretary to the ASPSC; and
- (b) shall ensure that the KAPAP Secretariat has adequate resources and staff including those seconded from Participating Ministries with qualifications and experience satisfactory to the Association.

#### District Level

- 7. The Recipient through MoA shall not later than August 30, 2009 (establish and maintain a Regional Agricultural Sector Steering Committee (RASSC) comprising of representatives of the districts in the Project Area, local non-governmental organizations, a representative of the farmer's forum, a district coordinator and head of RSU, community based organizations, and the private sector.
- 8. The RASSC shall be responsible for joint programming, reviewing joint work programs, budget and work-plans.
- 9. The Recipient through MoA shall maintain throughout the implementation of the Project, Regional Services Units (RSUs) in the districts responsible for approving and implementing Micro-projects, coordinating and implementing Project activities, and appoint thereto staff having qualifications and experience satisfactory to the Association.
- 10. The Recipient shall maintain at all times during the implementation of the Project, a District Farmers' Forum in each District in the Project Area comprising farmer groups to provide guidance to the RSU on the implementation of the Project at the district level.
- 11. The Recipient through MoA shall:
  - (a) prepare and furnish to the Association a Project Implementation Plan (PIP) in form and substance satisfactory to the Association setting out details of the Project: (i) implementation arrangements; (ii) procurement, financial management and disbursement arrangements; and (iii) such other administrative, financial and organizational arrangements as shall be required for the Project; and
  - (b) implement the Project in accordance with the PIP and except as the Association shall otherwise agree in writing, the Recipient shall not amend or waive any provision thereof which, in the opinion of the

Association, may adversely and materially affect the implementation of the Project.

**B. Anti-Corruption**

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

**C. Micro-projects**

Farmers Grants

13. In implementing Part 3(b) of the Project, the Recipient shall: (a) award the Farmers' Grants in accordance with the Farmer Grant Manual (FGM) in form and substance satisfactory to the Association setting out details of: (i) Farmer Grants, activities to be financed by Farmer Grants, Beneficiaries and eligibility criteria; (ii) arrangements and procedures for preparation, appraisal, approval, implementation and supervision of activities to be financed by Farmer Grants; (iii) procurement, financial management and disbursement arrangements; (iv) performance indicators; (v) standard formats for Farmer Grant Agreements; and (iv) such other arrangements as shall be required for providing Farmer Grants; and (b) not waive, amend any provision of the FGM if such amendment or waiver may, in the opinion of the Association, materially or adversely affects the implementation of the Project.

Research Grants

14. In implementing Part 2(b) of the Project, the Recipient shall: (a) award the Research Grants to academic and research institutions in accordance with criteria set forth in the Research Grant Manual (RGM) in form and substance satisfactory to the Association; and (b) not amend or waive any provision of the RGM if such amendment or waiver may, in the opinion of the Association, materially or adversely affects the implementation of the Project.

Energy Grants

15. In implementing Part 4 (f) of the Project, the Recipient shall select and implement the pilot Micro-projects linking rural agro-processing to off grid renewable energy sources in accordance with criteria and operational procedures outlined in the Community Energy Grant Manual (CEGM) and except as the Association shall otherwise agree in writing, the Recipient shall not amend or waive any of the provisions of the CEGM which in the opinion of the Association materially and adversely affects the implementation of the Project.

Standard Criteria for Energy Grants and Farmers' Grants

16. The Recipient shall make all the Grants pertaining to the Energy Micro-projects and the farmers' Micro-projects in accordance with eligibility criteria outlined in the relevant manuals including a Grant Agreement with the respective Beneficiary on terms and conditions approved by the Association, which shall include the following:
- (a) The Grants shall be denominated in Kenya Shilling (KES).
  - (b) The Recipient shall obtain rights adequate to protect its interests and those of the Association, including the right to: (i) suspend or terminate the right of the Beneficiary to use the proceeds of the Grant all or any part of the amount of Grant then withdrawn, upon the Beneficiary's failure to perform any of its obligations under the applicable Grant Agreement; and (ii) require each Beneficiary to:
    - (A) carry out its Micro-projects with due diligence and efficiency and environmental and social standards and practices satisfactory to the Association, 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 Grants in accordance with the provisions of this FGM;
    - (D) maintain policies and procedures adequate to enable it to monitor and evaluate in accordance with indicators acceptable to the Association, the progress of the Micro-projects 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 Association, both in a manner adequate to reflect the operations, resources and expenditures related to the Micro-projects; and (2) at the Association's or the Recipient's request, have such financial statements audited by independent auditors acceptable to the Association, in accordance with consistently applied auditing standards acceptable to the Association, and promptly furnish the statements as so audited to the Recipient and the Association;
    - (F) enable the Recipient and the Association to inspect the Micro-projects, its operation and any relevant records and documents; and (G) prepare and furnish to the Recipient and the Association

all such information as the Recipient or the Association shall reasonably request relating to the foregoing.

17. The Recipient shall exercise its rights under each Grant Agreement in such manner as to protect the interests of the Recipient and the Association and to accomplish the purposes of the Grant. Except as the Association shall otherwise agree, the Recipient shall not assign, amend, abrogate or waive any of the relevant Grant Agreement or any of its provisions.

**D. Credit Risk Guarantee Fund**

18. In implementing Part 4 (d) of the Project, the Recipient shall prepare a report satisfactory to the Association containing information on the detailed design of the Credit Risk Guarantee Fund, including the technical and economic feasibility of the fund, implementation arrangements, the selection criteria for the participating financial institutions, the activities to be financed, the loan conditions and the eligibility criteria of the Creditors.

**E. Safeguards.**

19. (a) The Recipient shall implement the Project in compliance with the requirements of the Environmental and Social Management Framework (ESMF), the Integrated Pest Management Framework (IPMF), and the Indigenous Peoples Framework (IPPF) and except as the Association shall otherwise agree in writing, the Recipient shall not amend or waive any provision of the ESMF, the IPPF and IPMF if any such amendment or waiver may, in the opinion of the Association, materially or adversely affect the implementation of the Project.
- (b) Except as otherwise agreed in writing by the Association, the Recipient shall require that in implementing the Micro-projects, (i) the Beneficiaries, prepare and adopt an ESMF, IPMF or IPPF as the case may be, satisfactory to the Association; and (ii) thereafter take such measures as shall be necessary or appropriate to comply with the requirements of such ESMF, IPMF or IPPF, as the case may be; and (iii) and except as the Association shall otherwise agree in writing, ensure that the Beneficiaries shall not amend or waive any provision of the ESMF, the IPPF and IPMF as the case may be, if any such amendment or waiver may, in the opinion of the Association, materially or adversely affect the implementation of the Micro-Project.

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

**A. Project Reports**

1. (a) 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 the indicators set forth below in sub-paragraph (b) of this paragraph. Each Project Report shall cover the period of one calendar semester, and shall be furnished to the Association not later than one month after the end of the period covered by such report.
- (b) The performance indicators referred to above in sub-paragraph (a) consist of the following:
  - (i) Percent increase in annual average yields of selected agricultural products in small-holder farming systems in the Project area.
  - (ii) Percent increase in earnings of men and women from small-holder agricultural activities in the Project area.
  - (iii) Percent increase in public investment in the agricultural sector.
  - (iv) Proportion of participating men and women small-holder farmers who are satisfied with extension, empowerment and agribusiness services.
2. For purposes of Section 4.08 (c) of the General Conditions, the report on the execution of the Project and related plan required pursuant to that Section shall be furnished to the Association not later than June 30, 2015.
3. The Recipient shall:
  - (a) no later than January 31, 2012 or any other date agreed with the Association carry out jointly with the Association, a Mid-Term Review of the progress made in carrying out the Project;
  - (b) no later than thirty days after the completion of the Mid-Term Review, start to implement the recommendations of the Mid-Term Review as agreed with the Association; and
  - (c) the Mid-Term Review shall assess, *inter alia*: (i) the overall progress made during the implementation of the Project; and (ii) the results of the monitoring and evaluation activities.

**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. Without limitation on the provisions of Part A of this Section, the Recipient shall prepare and furnish to the Association as part of the Project Report not later than forty five days (45) 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, commencing with the fiscal year in which the first withdrawal under the Project Preparation Advance was made. The audited Financial Statements for each such period and a Management Letter shall be furnished to the Association not later than six months after the end of such period.
4. The Recipient shall ensure that the scope of its audits include the grant funds provided to the communities.

### **Section III. Procurement**

#### **A. General**

1. **Goods and Works.** All goods and works required for the Project and to be financed out of the proceeds of the Financing shall be procured in accordance with the requirements set forth or referred to in Section I of the Procurement Guidelines, and with the provisions of this Section.
2. **Consultants' Services.** All consultants' services required for the Project and to be financed out of the proceeds of the Financing shall be procured in accordance with the requirements set forth or referred to in Sections I and IV of the Consultant Guidelines, and with the provisions of this Section.
3. **Definitions.** The capitalized terms used below in this Section to describe particular procurement methods or methods of review by the Association of particular contracts, refer to the corresponding method described in the Procurement Guidelines, or 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 *
(c) Shopping
(d) Direct Contracting

- (\*) Subject to the following provisions of 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”) which are not fully consistent with the Procurement Guidelines and the Consultants Guidelines, and therefore may not be applied for the implementation of the Project.
  - (i) PPDA 55(2): instead, the tender submission date shall be set so as to allow a period of at least 30 days or the later of (A) the date of advertisement, and (B) the date of availability of the tender documents.
  - (ii) PPDA 4(2)(c): instead, Recipient’s 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.
  - (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 Association.
  - (iv) PPDA 61(4): instead, extension of tender validity shall be allowed once only, and for not more than thirty (30) days, unless otherwise previously agreed in writing by the Association.
  - (v) PPDA 66(3)(b): instead, evaluation tender shall be based on quantifiable criteria expressed in monetary terms as defined in the tender documents. It shall not be based on a merit points system.
  - (vi) PPDA 39: instead, no domestic preference shall be used in the evaluation of tenders. Therefore, as a result of the non application of PPDA 66(3)(b)



- and 39, contracts shall be awarded to qualified tenderers having submitted the lowest evaluated substantially responsive tender.
- (vii) PPDA 67: instead, notification of contract award shall constitute formation of the contract. No negotiation shall be carried out prior to contract award.
- (viii) PPDA 91: instead, Shopping procedure will apply for each low value contracts, in lieu of Direct Procurement, except as otherwise previously agreed in writing by the Association.
- (ix) Regulations 47: instead, the two envelope bid opening procedure shall not apply.

**C. Particular Methods of Procurement of Consultants’ Services**

1. **Quality- and Cost-based Selection.** Except as otherwise provided in paragraph 2 below, consultants’ services shall be procured under contracts awarded on the basis of Quality and Cost-based Selection.
2. **Other Methods of Procurement of Consultants’ Services.** The following 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) Least Cost Selection
(b) Selection based on Consultants’ Qualifications
(c) Single-source Selection
(d) Procedures set forth in paragraphs 5.2 and 5.4 of the Consultant Guidelines for the Selection of Individual Consultants

**D. Review by the Association of Procurement Decisions**

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

**Section IV. Withdrawal of the Proceeds of the Financing**

**A. General**

1. The Recipient may withdraw the proceeds of the Financing in accordance with the provisions of Article II of the General Conditions, this Section, and such additional instructions as the Association shall specify by notice to the Recipient (including the “World Bank Disbursement Guidelines for Projects” dated May 2006, as revised from time to time by the Association and as made

applicable to this Agreement pursuant to such instructions), to (a) repay the Project Preparation Advance in accordance with Section 2.07 of the General Conditions; and (b) finance 100% (inclusive of Taxes) of 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:

<b>Category</b>	<b>Amount of the Financing Allocated (expressed in SDR)</b>	<b>Percentage of Expenditures to be Financed (inclusive of Taxes)</b>
1. Goods	5,200,000	100%
2. Works	1,200,000	100%
3. Consultants' Services	9,800,000	100%
4. Study Tours, Training and Workshops	10,200,000	100%
5. Grants		
(a) Research Grants	2,700,000	100%
(b) Farmers' Grants	8,300,000	90%
(c) Community Energy Grants	900,000	80%
6. Credit Risk Guarantee Scheme Fund	3,900,000	100%
7. Operating Costs	9,500,000	100%
8. Refund of Project Preparation Advance	1,400,000	Amount payable pursuant to Section 2.07 of the General Conditions
9. Unallocated	1,900,000	
<b>Total</b>	<b>55,000,000</b>	

**B. Withdrawal Conditions; Withdrawal Period**

1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made:
  - (a) for payments made prior to the date of this Agreement; and
  - (b) (i) under Categories 5(a) and 5 (b) until the Recipient has updated the Research Grants Manual and the Farmers' Grants Manual in a manner satisfactory to the Association; (ii) under category 5(c) until the Recipient has submitted to the Association a Community Energy Grants

Manual satisfactory to the Association; and (iii) under category 6 until the Recipient has submitted a report satisfactory to the Association with details on the Credit Risk Guarantee Fund scheme and a plan for its effective implementation.

2. The Closing Date is December 31, 2014.

**SCHEDULE 3****Repayment Schedule**

<b>Date Payment Due</b>	<b>Principal Amount of the Credit repayable (expressed as a percentage)*</b>
On each November 1 and May 1:	
commencing November 1, 2019 to and including May 1, 2029	<b>1%</b>
commencing November 1, 2029 to and including May 1, 2049	<b>2%</b>

\* 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. “Agricultural Sector Coordination Unit” or “ASCU” means the unit established by the Recipient to coordinate and implement the ASDS (as hereinafter defined);
2. “Agricultural Sector Program Steering Committee” means the committee to be established by the Recipient to provide overall guidance of the sector programs, and guide and review and approve, *inter alia*, annual work plans for the implementation of the Project and referred to in paragraph 3 of Schedule 2 to this Agreement;
3. “Agricultural Sector Development Strategy” or “ASDS” means the document prepared by the Recipient outlining the policies and strategies for guiding the development of the agriculture sector from 2009-2020;
4. “Agricultural Sector Information and Communication Strategy” means a report prepared by the Recipient outlining the policies and strategies for guiding information sharing and overall communication in the agriculture sector;
5. “Agro-food Parks” means areas to be set up by the Recipient for purposes of providing a range of services including legal, business and investment planning and various technical services to agri-business investors;
6. “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;
7. “Beneficiary” means a community of farmers, researcher, communities which has met the eligibility criteria set out in the FGM or CEGM or RGM (as hereinafter defined) and the requirements of Schedule 2 to this Agreement and as a result, has received, or is entitled to receive, a Farmer Grant, Energy Grant or Research Grant (as hereinafter defined);
8. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement;
9. “Community Energy Grant Manual” or CEGM or means the manual to be prepared by the Recipient for the management of the renewable energy grants, outlining the eligibility criteria and conditions for the issuance of the grants, as

the same may be amended from time to time with the Association's prior written concurrence;

10. "Consultant Guidelines" means the "Guidelines: Selection and Employment of Consultants by World Bank Borrowers" published by the Bank in May 2004 and revised in October 2006;
11. "Credit Risk Guarantee Fund" means the fund to be set up by the Recipient (under Part 4 (d) of the Project) to finance partial credit risk guarantee scheme to banks and other financial institutions to provide loans towards agribusiness development among farmer groups and others interested in agriculture value addition;
12. "Environmental and Social Management Framework" or "ESMF" means "an instrument satisfactory to the Association, prepared and adopted by the Recipient on April 9, 2009 outlining the process for management of environmental and social aspects of the Project, and referred to in Section 1.E of Schedule 2 to this Agreement as the same may be amended from time to time with the Association's prior written concurrence;
13. "Energy Micro-Projects" means the subprojects referred to in part 4(f) of Schedule 1 to this Agreement;
14. "Farmer Grant" means a grant to be made out of the proceeds of the Financing for a Beneficiary under Part 3(b) of the Project;
15. "Farmer Grant Agreement" means an agreement to be entered into between a Beneficiary and the Project Secretariat as specified in the FGM (as hereinafter defined), for the provision of a Farmer Grant in accordance with the provisions Section 1.C (13) (v) to this Agreement;
16. "Farmer Grant Manual" or "FGM" means the manual dated January 2006 for implementing the KAPP and updated on setting out details of: (i) Farmer Grants, activities to be financed by Farmer Grants, Beneficiaries and eligibility criteria; (ii) arrangements and procedures for preparation, appraisal, approval, implementation and supervision of activities to be financed by Farmer Grants; (iii) procurement, financial management and disbursement arrangements; (iv) performance indicators; (v) standard formats for Farmer Grant Agreements; and (iv) such other administrative, financial and organizational arrangements as shall be required for providing Farmer Grants as the same may be amended from time to time without the Association prior written concurrence; "Financial Management Procedures Manual" means the manual referred to in

Section 4.01(c) of this Agreement, containing financial policies, procedures and guidelines to be followed during the implementation of the Project

17. “General Conditions” means the “International Development Association General Conditions for Credits and Grants”, dated July 1, 2005 (as amended through October 15, 2006), with the modifications set forth in Section II of this Appendix;
18. “ICT” means information, communication technology;
19. “Indigenous Peoples” means distinct, vulnerable, social and cultural groups that may be identified pursuant to the studies outlined in the IPPF (as hereinafter defined) for the purposes of this Project;
20. “Indigenous Peoples Planning Framework” or “IPPF” means an instrument dated April 9, 2009 satisfactory to the Association outlining the basis for identifying indigenous peoples and their rights as the same may be amended from time to time with the Association prior written concurrence;
21. “Integrated Pest Management Framework” or “IPMF” means an instrument dated April 9, 2009 satisfactory to the Association outlining the potential environmental impact from pests, proposed management measures, required institutional oversight and project compliance with the Recipient’s pertinent legislation and the Association’s requirements;
22. “Inter-Ministerial Coordination Committee” or “ICC” means a committee comprising of the Permanent Secretaries of the Ministry of Agriculture, Ministry of Livestock Development, Ministry of Fisheries Development, Ministry of Cooperatives Development and Marketing, Ministry of Water Resources and Irrigation, Ministry of Environment and Mineral Resources, and Ministry of Forestry and Wildlife; “KAPAP Secretariat” means a secretariat to be established by the Recipient under Section 1.A(6) of Schedule 2 to this Agreement;
23. “KAPP” means the Kenya Agricultural Productivity Project, Credit No.3959 KE, Grant No. 8098 KE, the first Project under the Program;
24. “KARI Strategic Plan 2009-2014” means a document prepared by KARI outlining its strategy for research and development as the same may be amended from time to time;



25. “Kenya National Federation of Agricultural Producers” or “KENFAP” means the federation established in 2002 as an apex organization of agricultural producers to promote, unity, co-operation and dialogue among its members and between its members and other actors in the agricultural sector;
26. “Kenya Agricultural Research Institute” or “KARI” means the research institute established and operating pursuant to the Recipient’s Science and Technology Act, 1979. (CAP 250) or its legal successor thereto;
27. “Kenya Shilling” or “KES” means the currency of the Recipient;
28. “Management Information Systems” means an ICT based system set up by the Recipient as a tool for assisting the agriculture sector and the Project to track implementation progress and the technical and financial aspects of the Project;
29. “National Agricultural Research System” or “NARS” means a system that brings together public and private sector research institutions, universities and other institutions engaging in integrated and coordinated agricultural research for development;
30. "National Forum" means the Recipient’s consultative body composed of the agricultural sector stakeholders;
31. “National Agriculture Sector Extension Policy” means the Recipient’s policy document outlining its strategy on agriculture extension dated June 2007 as the same may be amended from time to time;
32. "National Farmers' Forum" means the consultative body of farmer associations established by the Recipient at the national level for the purpose of promoting consultation among farmers, their organizations and other stakeholders on agricultural issues;
33. “Operating Costs” means the costs incurred for purposes of Project implementation including vehicles’ operation and maintenance, communication and reasonable bank charges, rental of office space, office and laboratory maintenance costs, office and laboratory supplies, utilities, consumables, travel costs and per diem for Project staff, allowances, and salaries of contractual staff (excluding the salaries of government civil servants);
34. “Participating Ministries” means the Ministry of Agriculture, Ministry of Livestock Development, Ministry of Fisheries Development, Ministry of

Cooperatives Development and Marketing, Ministry of Water Resources and Irrigation, Ministry of Environment and Mineral Resources, Ministry of Forestry and Wildlife, Ministry of Local Government, Ministry of Finance, Ministry of Roads and Public Works, Ministry of Trade and Industry and Ministry of Energy;

35. “Procurement Guidelines” means the “Guidelines: Procurement under IBRD Loans and IDA Credits” published by the Bank in May 2004 and revised in October, 2006;
36. “Procurement Plan” means the Recipient’s procurement plan for the Project, dated April 29, 2009 and referred to in paragraph 1.16 of the Procurement Guidelines and paragraph 1.24 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs;
37. “Program” means the program designed to implement the Recipient’s Agricultural Sector Development Strategy and set forth or referred to in the letter on the development of the agricultural sector dated April 23, 2009 from the Recipient to the Association;
38. “Project Area” means the Recipient’s administrative districts of West Pokot, Central Pokot, North Pokot, Nakuru, Molo, Nakuru North, Naivasha, Njoro, Trans Nzoia West, Trans Nzoia East, Kwana, Nyandarua North, Nyandarua Central, Nyandarua South, Kipipiri, Homa Bay, Ndhiwa, Gucha, Gucha South, Siaya, Ugenya, Taita, Taveta, Kilifi, Kaloleni, Tana River, Tana Delta, Kwale, Kinango, Msambweni, Garissa, Fafi, Lagdera, Wajir East, Wajir East Wajir North, Wajir South, Meru Central, Imenti North, Buuri, Imenti South, Makueni, Mbooni, Kibwezi, Nzani, Embu, Kakamega North, Kakamega Central, Kakamega South, Kakamega East, Busia, Samia, Bunyala, Butere, Nyeri North, Nyeri South, Nyeri Central, Nyeri East, Mumias and any other districts that may be created by the Recipient as a result of sub-dividing any of the districts in the Project Area;
39. “Project Preparation Advance” means the advance referred to in Section 2.07 of the General Conditions, granted by the Association to the Recipient pursuant to the letter agreement signed on behalf of the Association on February 10, 2009 and on behalf of the Recipient on March 11, 2009;
40. “Provinces” means an administrative area established by the Recipient and operating pursuant to the District and Provinces Act, 1992;
41. “Regional Service Unit” or “RSU” means each of the units to be established by the Recipient in the regions to implement Project activities and interventions at

District levels and referred to in paragraph 9 of Schedule 2 to this Agreement;

42. “Research Grant” means a grant to be made out of the proceeds of the Financing for a Researcher under Section 1.C14 of Schedule 2 to this Agreement; and
43. “Research Grant Manual” or “RGM” means a manual setting out details of Research Grants, research areas and topics to be financed by Research Grants; (b) arrangements and procedures for preparation, appraisal, approval, carrying out of research; (c) procurement, financial management and disbursement arrangements; (d) performance indicators; (e) standard formats for Research Grant Agreements; and (f) such other administrative, financial and organizational arrangements as shall be required for providing Research Grants as the same may be amended from time to time with the Association prior written concurrence.

## **Section II. Modifications to the General Conditions**

The modifications to the General Conditions for Credits and Grants of the Association, dated July 1, 2005 (as amended through October 15, 2006) are as follows:

Section 3.01 (b) of the General Conditions is modified to read as follows

- “(b) The Commitment Charge shall accrue from a date sixty days after: (i) the date of the Development Credit Agreement with respect to the unwithdrawn balance of the Initial Credit; and (ii) the date of the Financing Agreement with respect to the unwithdrawn balance of the Additional Credit, to the respective dates on which amounts are withdrawn by the Recipient from the Financing Account or cancelled. The Commitment Charge shall accrue at the rate set as of the June 30 immediately preceding the accrual date and at such other rate as may be set from time to time thereafter pursuant to this Section. The rate set as of June 30 in each year shall be applied from the next Payment Date in that year. The Commitment Charge shall be payable semi-annually in arrears on each Payment Date. The Commitment Charge shall be computed on the basis of a 360-day year of twelve 30-day months.”