

CONFORMED COPY

CREDIT NUMBER 4277-KE

Financing Agreement

(Natural Resource Management Project)

between

REPUBLIC OF KENYA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated May 7, 2007

CREDIT NUMBER 4277-KE

FINANCING AGREEMENT

AGREEMENT dated May 7, 2007, between the 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 the Financing 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, credit in an amount equivalent to forty six million Special Drawing Rights (SDR 46,000,000) (“Credit”) to assist in financing the project described in Schedule 1 to this Agreement (“Project”).
- 2.02. The Recipient may withdraw the proceeds of the Financing in accordance with Section IV of Schedule 2 to this Agreement.
- 2.03. The Maximum Commitment Charge Rate payable by the Recipient on the Unwithdrawn Financing Balance shall be one-half of one percent (1/2 of 1%) per annum.
- 2.04. The Service Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to three-fourths of one percent (3/4 of 1%) per annum.
- 2.05. The Payment Dates are May 15th and November 15th in each year.
- 2.06. The principal amount of the Credit shall be repaid in accordance with repayment schedule set forth in Schedule 3 to this Agreement.
- 2.07. The Payment Currency is Dollars.

ARTICLE III — PROJECT

- 3.01. The Recipient declares its commitment to the objectives of the Project. To this end, the Recipient shall carry out Parts 2, and 4 of the Project, Parts 1(a), 1(b) and 3 of the Project through the Water Resources Management Authority and Part 1(c) and 1(d) of the Project through the National Irrigation Board (“Project Implementing Entities”) 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 Event of Suspension consists of, any of the Project Implementing Entities’ Legislation having been amended, suspended, abrogated, repealed or waived so as to materially and adversely affect the respective Project Implementing Entity’s ability to perform any of its obligations under the Project Agreement.
- 4.02. The Additional Event of Acceleration consists of the event specified in Section 4.01 of this Agreement having occurred and is continuing for a period of 60 days after notice of the event has been given by the Association to the Recipient.

ARTICLE V — EFFECTIVENESS; TERMINATION

- 5.01. The Additional Conditions of Effectiveness consist of the following:
 - (a) The Recipient and the Project Implementing Entities have executed Subsidiary Agreements satisfactory to the Association;
 - (b) The Recipient has adopted a Project Implementation Plan in form and substance satisfactory to the Association;
 - (c) The Recipient has adopted an Institutional Risk Based Management Framework satisfactory to the Association;

- (d) The Recipient has appointed a Project Coordinator-Forest Resources, a Project Coordinator-Water Resources and for both the Ministry of Environment and Natural Resources and the Ministry of Water and Irrigation, each a Procurement Specialist and a Financial Management Specialist, all with qualifications and terms of reference satisfactory to the Association.

- 5.02. The Additional Legal Matter consists of the Subsidiary Agreements having been duly authorized or ratified by the Recipient and the Project Implementing Entities and are legally binding upon the Recipient and the Project Implementing Entities in accordance with their terms.

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

- 5.04. For purposes of Section 8.05 (b) of the General Conditions, the date on which the obligations of the Recipient under this Agreement shall terminate is 40 years 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
P.O Box 30007, 00100
Nairobi, Kenya

Cable address: Facsimile:

FINANCE	254 20 330 426
NAIROBI	254 20 218 475

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) or 64145 (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/ Amos Kimunya*
Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By: */s/ Colin Bruce*
Authorized Representative

SCHEDULE 1

Project Description

The objectives of the Project are to enhance the Recipient's institutional capacity to manage water and forest resources, reduce the incidence and severity of water shocks such as drought, floods and water shortage in river catchments and improve the livelihoods of communities participating in the co-management of water and forest resources.

The Project consists of the following parts:

Part 1 **Water Resource Management and Irrigation**

- (a) Strengthening the capacity of the Water Resources Management Authority (WRMA) through: (i) establishing and providing equipment and vehicles for offices of WRMA including at least two (2) sub-regional offices in the upper Tana catchment area; (ii) establishing water resources monitoring capacity including capacity to analyze and interpret data; (iii) disseminating of information and creating of public awareness on the activities of the WRMA and proper management and use of water; and (iv) conducting an economic analytical study to identify the key strategic investments related to the activities of WRMA and their financing options.
- (b) Promoting an integrated approach in the management of the upper Tana River catchment area through: (i) strengthening the existing technical information base relating to catchment degradation, water quality and quantity; (ii) involving water users in the decision making processes; (iii) training and sensitizing farmers on improved land-use and water conservation methods; (iv) providing support for the conducting of environmental and social impact assessments; (v) financing the review of water resources users' investment plans including an annual review of each plan; and (vi) financing approved WRUAs investment Subprojects.
- (c) Supporting the policy, legal and institutional reforms of the irrigation and drainage sector including a review of the roles and functions of the Ministry of Water and Irrigation and the National Irrigation Board.
- (d) Constructing and rehabilitating agreed irrigation schemes.

Part 2 **Management of Forest Resources**

- (a) Supporting activities to transform the Forest Department into an accountable and semi-autonomous Kenya Forest Service (KFS) including, (i) training of staff; (ii) provision of equipment and vehicles; (iii) rehabilitation of office buildings; (iv) conducting a countrywide forest resource assessment; and (v) designing and implementing a sustainable strategy for improving forest revenues.
- (b) Enhancing human resources capacity within the forest sector.
- (c) Developing a KFS strategic plan, including a business plan and a human development plan.
- (d) Establishing a KFS Information Center to provide information on investments in the forest sector.
- (e) Identifying and prioritizing an array of partnership models for community participation and benefit sharing in the forest sector.
- (f) Preparing and implementing Ecosystem Based Forest Management Plans and participatory forest management plans in selected sites.
- (g) Developing and piloting Payment for Environmental Services (PES) schemes.
- (h) Planting or reforestation of about 2,500 hectares.
- (i) Realigning and demarcating boundaries in selected gazetted forests.
- (j) Supporting the effective implementation of the Resettlement Policy Framework.
- (k) Developing and implementing Resettlement Action Plans.

Part 3 **Livelihood Investments**

- (a) Supporting the preparation and implementation of community driven development sub-projects in the Thika, Sagana and Thiba River Basins which focus on livelihoods enhancing interventions and conservation of the natural resource base.

Part 4 **Policy Development, Management, Monitoring and Evaluation**

- (a) Developing a national resettlement policy including a communication strategy on resettlement and the rights of Indigenous Peoples.

- (b) Supporting the effective implementation of the Indigenous Peoples Planning Framework.

- (c) Training staff of the Ministry of Water and Irrigation, Ministry of Environment, WRMA, NIB, KFS and other relevant staff of the Recipient on procurement and financial management to promote effective project management.

- (d) Developing and implementing a communication strategy for the Project.

- (e) Establishing a management information system and impact evaluation system that merge the indicators on the changing status of the natural resources and the welfare of the participating communities.

SCHEDULE 2

Project Execution

Section I. Subsidiary Financing; Institutional and Other Arrangements

A. Subsidiary Agreement

1. To facilitate the carrying out of the Project Implementing Entities' Parts 1 and 3 of the Project, the Recipient shall make part of the proceeds of the Financing available to the Project Implementing Entities under subsidiary agreements between the Recipient and the Project Implementing Entities, under terms and conditions approved by the Association ("Subsidiary Agreement").
2. The Recipient shall exercise its rights under the Subsidiary Agreements in such manner as to protect the interests of the Recipient and the Association and to accomplish the purposes of the Financing. Except as the Association shall otherwise agree, the Recipient shall not assign, amend, abrogate or waive the Subsidiary Agreements or any of their provisions.

B. Institutional and Other Arrangements

1. The Recipient shall:
 - (a) delegate the responsibility for the overall project management and oversight to the Ministry of Water and Irrigation and the Ministry of Environment and Natural Resources which shall appoint two representatives to coordinate project activities; and
 - (b) set up a National Project Steering Committee comprising of the Permanent Secretaries of the MENR, MoWI, Office of the President - Special Programmes, Ministry of Agriculture, Ministry of Lands, Ministry of Lands and other institutions engaged in natural resource management to meet at least twice a year for the purpose of: (i) carrying out the annual programming of Project activities and approval of work plans and budgets; and (ii) recommending corrective measures that may be necessary to ensure the efficient carrying out of the Project and the achievement of the objectives thereof.
2. The Recipient shall establish a Regional Project Implementation Committee with representatives from the Ministry of Water and Irrigation, Ministry of

Environment and Natural Resources, Ministry of Lands, Ministry of Agriculture, WRMA and any other relevant agencies, to review and approve Subprojects under Part 3 of the Project in accordance with agreed criteria.

3. The Recipient shall:
 - (a) carry out the Project in accordance with the Project Implementation Plan (PIP) in form and substance satisfactory to the Association, and said PIP to provide details of all the operational guidelines and procedures as shall have been agreed with the Association for the implementation, monitoring and supervision of the Project, including but not limited to the composition, terms of reference and mandates of any of the implementing entities at the national regional and local level; and
 - (b) not amend or waive any provision of the PIP without prior approval of the Association if such amendment or waiver may, in the opinion of the Association, materially or adversely affect the implementation of the Project.
4. The Recipient shall:
 - (a) during the duration of the project implementation, maintain the Project Implementing Entities with functions, staffing and resources satisfactory to the Association; and
 - (b) cause the Project Implementing Entities to carry out the implementation, monitoring, evaluation and coordination of the Project.
5. In order to ensure that the rights of indigenous peoples and the displaced persons from land are safeguarded and the environment protected, the Recipient shall, (a) implement the Project in accordance with the Environmental Management and Social Framework, Resettlement Policy Framework, Indigenous People's Policy Framework and the relevant national legal and policy requirements; and (b) submit to the Association for its prior approval all civil works contracts of above \$150,000 and significant land use changes.
6. In implementing Part 2 of the Project, the Recipient shall no later than July 31, 2009 or any other date agreed with the Association:
 - (a) conduct a rapid assessment of forest resources;

- (b) carry out forest boundary demarcation in the Project intervention areas;
 - (c) develop guidelines for the establishment and operationalization of Community Forest Associations in accordance with the Recipient's legal and regulatory requirements; and
 - (d) carry out a review of all relevant land related policies and laws and identify areas in need of harmonization with respect to resettlement as part of the development of a National Resettlement Policy.
7. Except as the Association shall otherwise agree, the Recipient shall in implementing Part 1(c) of the Project carry out all the following activities in a manner satisfactory to the Association, namely, (a) finalization of the irrigation policy and institutional framework by December 31, 2007; (b) completion of the capacity assessment of NIB, developing its training plan and operational manual by December 31, 2008; (c) transferring the management of agreed irrigation infrastructure to the communities; and (d) transforming NIB into an irrigation service provider by December 31, 2009.
8. Subprojects
- (a) In implementing Part 1(b)(iv) and Part 3 of the Project, the Recipient shall ensure that the Regional Project Implementation Committee evaluates and selects Subprojects in accordance with agreed criteria which shall for the Subprojects under Part 1(b)(vi) of the Project, consist of: (i) community readiness or existing level of community organization, (ii) significance of the micro-catchments' contribution to downstream sedimentation, (iii) environmentally sensitive or critical areas highly prone to environmental degradation, (iv) presence of springs or other sources of surface or ground water critical to the maintenance of ecosystems services, (v) concentration of small producers, (vi) land use and soil management aspects, and (vii) community's willingness and ability to contribute at least 5% of the required resources to implement the Subprojects, and for Part 3 shall consist of the ability of the Subprojects to support environmentally friendly income generating activities; and the communities' willingness and ability to contribute 30% of the required implement to finance the Subprojects.
 - (b) For each approved Subproject, the Recipient, through the relevant Project Implementing Entities, shall conclude a Subproject Agreement with the corresponding Subproject Beneficiary, whereby the Recipient shall agree to provide to the Subproject Beneficiary, a Subproject Grant

from the proceeds of the Credit, on terms and conditions satisfactory to the Association, including the following additional terms and conditions:

- (i) that the execution of each Subproject by the related Subproject Beneficiary, is carried with due diligence and efficiency and in accordance with sound technical, financial, managerial, social and environmental standards and practices; and to maintain adequate records;
 - (ii) require that the goods, works and services to be financed from the proceeds of the relevant Subproject Grant shall be procured in accordance with the provisions of this Agreement and used exclusively in carrying out the agreed proposed Subproject;
 - (iii) maintain the right to inspect by itself, or jointly with the Association, if the Association shall so request, the goods, works, sites and plants included in each Subproject, the operations thereof and any relevant records and documents;
 - (iv) obtain from the Subproject Beneficiary and the relevant Implementing Institution(s), all such information as the Association shall reasonably request relating to the implementation of a Subproject, including the performance of the Project Beneficiary and/or relevant Implementing Institution(s) in executing the Subproject; and
 - (v) suspend or terminate the right of the Subproject Beneficiary and/or the relevant Implementing Institution(s) to the use of the proceeds of the Credit under the Project upon failure by such Subproject Beneficiary and/or relevant Implementing Institution(s) to perform its obligations under the Subproject Agreement.
9. The Recipient shall, no later than December 31, 2007, provide assurances to the Association that the scope of the audit of its Financial Statements in B.3 Section II of Schedule 2 include the audits of the community investments financed by the Project.

10. The Recipient shall:
 - (a) no later than September 30, 2010 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) ensure that 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.

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 the indicators agreed with the Association and set forth below in Paragraph 2. Each Project Report shall cover the period of one fiscal year, and shall be furnished to the Association not later than three months after the end of the period covered by such report.
2. The performance indicators referred to above in sub-paragraph (1) consist of the following:
 - (i) Area of forests in the project intervention areas managed according to approved forest management plans.
 - (ii) Area under irrigation in project intervention areas.
 - (iii) Percentage of the forest plantation estate assessment completed.
 - (iv) The number of KFS technical staff trained in participatory forest management.
 - (v) Number of production forests whose management has been transferred to the private sector.

- (vi) Number of community groups engaged in joint forest management.
 - (vii) Number micro-catchments action plans developed by Water Resource User Associations and approved by WRMA.
 - (viii) Percentage reduction in sediment loads in the rivers in target micro catchments.
 - (ix) Number of annual progress reports produced on time.
3. 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 3 months after the Closing Date.

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 1 of this Section, the Recipient shall prepare and furnish to the Association as part of the Project Report not later than forty-five days after the end of each calendar quarter, interim un-audited 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 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 community investments.

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 Schedule.
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 Schedule.
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:

<u>Procurement Method</u>
(a) National Competitive Bidding
(b) Direct Contracting
(c) Shopping
(d) Community Participation

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.

Procurement Method
(a) Consultant's qualification
(b) Procedures set forth in paragraphs 3.9 to 3.13 of the Consultant's Guidelines for Single Source Selection
(c) Procedures set forth in paragraphs 5.2, 5.3 and 5.4 of the Consultant's Guidelines for the Selection of Individual Consultants

D. Review by the Bank of Procurement Decisions

1. Except as the Association shall otherwise determine by notice to the Recipient, the following contracts shall be subject to Prior Review by the Association: (a) each contract for goods or works estimated to cost the equivalent of \$150,000 or more procured on the basis of International Competitive Bidding, Limited International Bidding or National Competitive Bidding, or Direct Contracting (b) each contract for consultants' services provided by a firm estimated to cost the equivalent of \$100,000 or more; (c) each contract for consultants' services provided by an individual estimated to cost the equivalent of \$50,000 or more; and (d) all single source selection contracts. 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 and of this Section and such additional instructions as the Association shall specify by notice to the Recipient, to (a) repay the Project Preparation Advance in accordance with Section 2.07 of the General Conditions; and 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 Credit Financing to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category:

Category	Amount of the Credit Financing Allocated (expressed in SDR)	Percentage of Expenditures to be Financed
1. Civil works	14,200,000	80%
2. Goods	5,600,000	100% of foreign expenditures and 90% of local expenditures
3. Subproject Grants (a) Part 1(b)(iv) of the Project (b) Part 3 of the Project	2,300,000 4,300,000	100% of the Recipient's contribution 100% of the Recipient's contribution
4. Consultants Services and Audit	5,100,000	100%
5. Training and Workshops	3,500,000	100%
6. Resettlement Compensation	3,000,000	100% of amounts disbursed
7. Incremental Operating Costs (a) Vehicle operation maintenance and insurance (b) Other operation and Maintenance	1,500,000 2,000,000	90% 90% of expenditures incurred before June 30, 2009, 80% for expenditures incurred before June 30, 2011, and 70% thereafter.
8. Refunding of Project Preparation Advance	700,000	
9. Unallocated	3,800,000	
TOTAL AMOUNT	46,000,000	

3. For the purposes of this Schedule, the term

- (a) "Incremental Operating Costs" means the costs incurred for the purpose of maintaining equipment, vehicles operation, maintenance and insurance, office supplies, utilities, consumables, travel per diems and allowances, accommodation and staff allowances (excluding the salaries of government civil servants), and

- (b) “Resettlement Compensation” “means the expenditures incurred in financing the cost of compensating project affected persons in accordance with the criteria outlined in the Resettlement Policy Framework.

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 is June 30, 2013.

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 May 15, 2017 to and including November 15, 2026	1%
commencing May 15, 2027 to and including November 15, 2046	2%

*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

Definitions

1. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement;
2. “Community Forest Associations” or “CFAs” means an association established and operating pursuant to the Societies Act, Cap 108 and whose functions are stipulated in the Forest Act, 2005 of the Laws of Kenya or any legal successor thereto;
3. “Consultant Guidelines” means the “Guidelines: Selection and Employment of Consultants by World Bank Borrowers” published by the World Bank in May 2004;
4. “Ecosystem Based Forest Management Plan” or “EBFMP” means the plan, satisfactory to the Association, prepared and adopted by the Recipient, on the basis of sound ecosystem principles;
5. “Environmental and Social Management Framework” or “ESMF” means an instrument prepared and adopted by the Recipient on December 22, 2006 outlining the process for management of environmental and social aspects of the Project, and referred to in paragraph B2 of Schedule 2 to of this Agreement;
6. “Fiscal Year” means the recipient’s fiscal year beginning July 1 and ending June 30 of the next calendar year.;
7. “General Conditions” means the “International Development Association General Conditions for Credits and Grants”, dated July 1, 2005;
8. “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;
9. “Indigenous Peoples Planning Framework” or “IPPF” means an instrument outlining the basis for identifying indigenous peoples and their rights ;
10. “Institutional Risk Based Management Framework” means an internal control system that is designed to identify, assess and respond to operational risks;

11. “Kenya Forest Service” or “KFS” means a semi-autonomous state-owned entity established and operating pursuant to the Recipient’s Forest Act No. 7 2005, or any legal successor thereto;
12. “KFS Information Center” means a unit within KFS established for the purpose of providing information on potential investments in the forest sector;
13. “Ministry of Environment and Natural Resources” or “MENR” means the Recipients ministry responsible for environment and natural resources;
14. “Ministry of Water and Irrigation” or “MoWI” means the Recipient’s ministry responsible for water and irrigation;
15. “Monitoring and Evaluation Indicators” means the agreed performance indicators set forth in Section IIA (2) of Schedule 2 to this Agreement to be utilized by the Recipient under the Project to measure the progress in the implementation of the Project and the degree to which the objectives thereof are being achieved;
16. “National Resettlement Policy” means the policy to be developed by the Recipient for the purpose of establishing clear criteria and guidelines on involuntary resettlement;
17. “National Irrigation Board” or “NIB” means a semi-autonomous state owned entity responsible for planning, construction, settling and managing national irrigation schemes, duly established and operating pursuant to the Recipient’s Irrigation Act, Cap 347 of 1966, or any legal successor thereto;
18. “National Project Steering Committee” means the Committee referred to in Section 1B(1) (b) of Schedule 2 to this Agreement;
19. “Project Implementation Plan” or “PIP” means a plan satisfactory to the Association to be finalized by the Recipient setting forth the operational, maintenance and administrative procedures for the implementation of the Project as the same may be amended from time to time;
20. “Payment for Environmental Services” or “PES” means schemes set up for the purposes of supporting positive environmental externalities through the transfer of financial resources from beneficiaries of environmental services (such as watershed protection, biodiversity conservation, carbon sequestration) to those

who provide these services or are fiduciaries of natural resources (e.g., communities, CFAs, etc.);

21. “Procurement Guidelines” means the “Guidelines for Procurement under IBRD Loans and IDA Credits” published by the Bank in May 2004;
22. “Procurement Plan” means the Recipient’s procurement plan for the Project, dated February 16, 2007 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;
23. “Project Coordinator-Forest Resources” means an individual charged with the overall coordination and management of the forest resources management component of the Project;
24. “Project Coordinator-Water Resources” means an individual charged with the overall coordination and management of the water resources management component of the Project;
25. “Project Implementing Entities” means the Water Resources Management Authority and the National Irrigation Board (as hereinafter defined) and any other entities mutually agreed between the Recipient and the Association;
26. “Project Agreement” means the agreement between the Association with either WRMA or NIB (as hereinafter defined) of even date herewith, as the same may be amended from time to time, and such term includes all schedules and agreements supplemental to the Project Agreements;
27. “Project Implementing Entities Legislation” means the Water Act, No. 8 of 2002 and the Irrigation Act, Cap 347 of 1966;
28. “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 September 28, 2006 and on behalf of the Recipient on October 9, 2006;
29. “Regional Project Implementation Committee” means the Committee referred to in Section 1B(2) of Schedule 2 to this Agreement;

30. “Resettlement Action Plan” means a plan for Subprojects that have been determined to result in potential involuntary resettlement, land acquisition and loss of livelihood;
31. “Resettlement Policy Framework” means the instrument dated January, 2007 developed by the Recipient outlining the potential impacts of involuntary resettlement on project affected persons and the potential remedial and compensatory measures;
32. “Subproject” means an agreed set of specific activities carried out or to be carried out by a Beneficiary community;
33. “Subproject Agreement” means an Agreement entered into between the Project Implementing Entity and a Subproject Beneficiary (as hereinafter defined) of a grant for purposes of implementing a community Subproject;
34. “Subproject Beneficiary” means a recipient of a Subproject Grant (as hereinafter defined);
35. “Subproject Grant” means a grant made or proposed to be made out of the proceeds of the Financing by the Recipient for the purposes of implementing Subprojects;
36. “Subsidiary Agreement” means the agreement referred to in Section I.A.1 of Schedule 2 to this Agreement pursuant to which the Recipient shall make the proceeds of the Financing available to the Project Implementing Entities;
37. “Water Resources Management Authority” or “WRMA” means a semi-autonomous state owned entity responsible for coordinating the management of water resources, duly established and operating pursuant to the Recipient’s Water Act No. 8 of 2002, or any legal successor thereto; and
38. “Water Resources Users Association” means any local community organization established and operating pursuant to the Water Act No. 8 of 2002.