

CONFORMEED COPY

CREDIT NUMBER 4571-KE

3930-KE

CREDIT NUMBER

Project Agreement
(Amending and Restating Project Agreement)

(Northern Corridor Transport Improvement Project)

between

INTERNATIONAL DEVELOPMENT ASSOCIATION

and

KENYA AIRPORTS AUTHORITY

Dated May 8, 2009

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PROJECT AGREEMENT

Agreement dated May 8, 2009, entered into between INTERNATIONAL DEVELOPMENT ASSOCIATION (“Association”) and KENYA AIRPORTS AUTHORITY (“Project Implementing Entity”) (“Project Agreement”) in connection with the Financing Agreement (“Financing Agreement”) of same date between the REPUBLIC OF KENYA (“Recipient) and the Association. The Association and the Project Implementing Entity hereby agree as follows:

ARTICLE I — GENERAL CONDITIONS; DEFINITIONS

- 1.01. The General Conditions (as defined in the Appendix to the Financing 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 Financing Agreement or the General Conditions.

ARTICLE II — PROJECT

- 2.01. The Project Implementing Entity declares its commitment to the objectives of the Project. To this end, the Project Implementing Entity shall carry out Part F of the Project in accordance with the provisions of Article IV of the General Conditions, and shall provide promptly as needed, the funds, facilities, services and other resources required for its Respective Part of the Project.
- 2.02. Without limitation upon the provisions of Section 2.01 of this Agreement, and except as the Association and the Project Implementing Entity shall otherwise agree, the Project Implementing Entity shall carry out its Respective Part of the Project in accordance with the provisions of the Schedule to this Agreement.

ARTICLE III — TERMINATION

- 3.01. For purposes of Section 8.05 (c) of the General Conditions, the date on which the provisions of this Agreement shall terminate is twenty years after the date of this Agreement.

ARTICLE IV — REPRESENTATIVE; ADDRESSES

4.01. The Project Implementing Entity's Representative is the Managing Director.

4.02. The Association's Address is:

International Development Association
1818 H Street, NW
Washington, DC 20433
United States of America

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

4.03. The Project Implementing Entity's Address is:

Kenya Airports Authority (KAA)
Jomo Kenyatta International Airport
KAA Headquarters - 5th Floor
P O Box 09001 - 00501
Nairobi, Kenya

| | |
|------------------|-----------------|
| Tel.: | Facsimile: |
| +254 20 661 1000 | +254 20 822 078 |

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

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Johannes C.M. Zutt

Authorized Representative

KENYA AIRPORTS AUTHORITY

By /s/ George Muhoho

Authorized Representative

SCHEDULE

Execution of the Project Implementing Entity's Respective Part of the Project

Section I. Implementation Arrangements

A. Institutional Arrangements.

1. KAA shall establish and thereafter maintain at all times during the implementation of the Project, a KAA-PTT to oversee the day-to-day implementation of Part F of the Project, and appoint thereto, staff having qualifications and experience satisfactory to the Association, including a team leader, a construction engineer, an electrical engineer, an architectural specialist, an airport security specialist, a procurement specialist and a financial management specialist.
2. Notwithstanding its overall reporting obligations to the Project Oversight Committee, KAA-PTT shall report on its day-to-day operations directly to the Managing Director of KAA in his or her capacity as a member of the Project Oversight Committee.

B. Anti-Corruption.

The Project Implementation Entity shall ensure that its Respective Part of the Project is carried out in accordance with the provisions of the Anti-Corruption Guidelines.

C. Safeguards.

The Project Implementation Entity shall carry out its Respective Part of the project in accordance with the EIA, RPF, and RAPs and shall not amend or waive any of the provisions of the EIA, RPF and RAPs if such amendment or waiver in the opinion of the Association materially or adversely affects the Implementation of its Respective Part.

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports

1. (a) The Project Implementing Entity shall monitor and evaluate the progress of its Respective Part of the Project and prepare Project Reports for its Respective Part of the Project in accordance with the provisions of Section 4.08 of the General Conditions and on the basis of the indicators set forth below in subparagraph (b) of this paragraph agreed with the Association. Each such Project Report shall cover the period of one

calendar semester, and shall be furnished to the Recipient not later than two weeks after the end of the period covered by such report for incorporation and forwarding by the Recipient to the Association of the overall Project Report.

- (b) The performance indicators referred to above in sub-paragraph (a) is that the Jomo Kenyatta International Airport, Nairobi is cleared by the United States Transportation Security Agency for direct flights to and from United States airports.
2. The Project Implementing Entity shall provide to the Recipient not later than 2 months before the end of the period covered by such report, for incorporation in the report referred to in Section 4.08 (c) of the General Conditions all such information as the Recipient or the Association shall reasonably request for the purposes of such Section.

B. Financial Management, Financial Reports and Audits

1. The Project Implementing Entity shall 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 and financial condition of the Project Implementing Entity, including the operations, resources and expenditures related to its Respective Part of the Project.
2. The Project Implementing Entity shall have its financial statements referred to above audited by independent auditors acceptable to the Association, in accordance with consistently applied auditing standards acceptable to the Association. Each audit of these financial statements shall cover the period of one fiscal year of the Project Implementing Entity. The audited financial statements for each period shall be furnished to the Association not later than six months after the end of the period.

Section III. Procurement

All goods, works and services required for the Project Implementing Entity's Respective Part of the Project and to be financed out of the proceeds of the Financing shall be procured in accordance with the provisions of Section III of Schedule 2 to the Financing Agreement.

Section IV. Other Undertakings

1. The Project Implementing Entity shall enter into an amended and restated subsidiary agreement (“Subsidiary Loan Agreement”) with the Recipient under terms and conditions approved by the Association, which shall include the following: (i) repayment of principal in 23 years including a grace period of 8 years; (ii) the payment of interest at the rate of five percent (5%) per annum effective September 1, 2008; (iii) the foreign exchange risk to be borne by the Recipient; and (iii) the principal amount of the Project Implementing Entity’s subsidiary loan repayable by the Project Implementing Entity, being the equivalent in dollars of the currency or currencies withdrawn from the Credit Account in respect of the Categories mentioned in Section 3.01 of the Financing Agreement, such equivalent to be determined as of the date or respective dates of repayment.
2. Except as the Recipient in consultation with the Association shall otherwise agree, the Project Implementing Entity shall not assign, amend, abrogate or waive the Subsidiary Loan Agreement or any of its provisions.