

Public Disclosure Authorized

**CONFORMED COPY**

---

---

**CREDIT NUMBER 4801-KE**

# **Financing Agreement**

**(Kenya Coastal Development Project)**

**between**

**THE REPUBLIC OF KENYA**

**and**

**INTERNATIONAL DEVELOPMENT ASSOCIATION**

**Dated November 17, 2010**

Public Disclosure Authorized



**CREDIT NUMBER 4801-KE**

**FINANCING AGREEMENT**

AGREEMENT dated November 17, 2010, 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 twenty three million and eight hundred thousand Special Drawing Rights (SDR 23,800,000) (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.
- 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 The Service Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to three-fourths of one percent (3/4 of 1%) per annum.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 15 and November 15 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 Dollars.

**ARTICLE III — PROJECT**

- 3.01. The Recipient declares its commitment to the objective of the Project. To this end, the Recipient shall carry out Part 1 of the Project through the Ministry of Fisheries Development (MoFD); Part 2 of the Project through the Kenya Forestry Research Institute (KEFRI), Kenya Wildlife Service (KWS) and the National Environment Management Authority (NEMA); Part 3 of the

Project through the Coast Development Authority (CDA) and the Ministry of Lands; and Part 4 of the Project through the Kenya Marine Fisheries Research Institute (KMFRI) and the Ministry of State for the Development of Northern Kenya and Other Arid Lands, all in accordance with the provisions of Article IV of the General Conditions and with respect to KEFRI, KWS, NEMA, CDA and KMFRI (Project Implementing Agencies) in accordance with the respective Subsidiary Agreements.

- 3.02. Without limitation upon the provisions of Section 3.01 of this Agreement, and except as the Recipient and the Association shall otherwise agree, the Recipient shall ensure that the Project is carried out in accordance with the provisions of Schedule 2 to this Agreement.

#### **ARTICLE IV — REMEDIES OF THE ASSOCIATION**

- 4.01. The Additional Events of Suspension consist of the following:
- (a) Any of the Project Implementing Agencies has failed to perform any of its obligations under its respective Subsidiary Agreement.
  - (b) Any of the Project Implementing Agency's Legislation has been amended, suspended, abrogated, repealed or waived so as to materially and adversely affect the ability of any of the Project Implementing Agency's ability to perform any of its obligations under this Agreement or under its respective Subsidiary Agreement.
  - (c) The Recipient has failed to perform any of its obligations under the GEF Grant Agreement, or any of the Project Implementing Agencies has failed to perform any of its obligations under its respective Subsidiary Agreement entered into between the Recipient and such Project Implementing Agency in connection with the GEF Grant Agreement.
- 4.02. The Additional Event of Acceleration consists of the following: any event specified in Section 4.01 of this Agreement occurs and is continuing for a period of sixty (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 has developed and adopted a Project Implementation Manual satisfactory to the Association.
  - (b) The Recipient and the Project Implementing Agencies have executed Subsidiary Agreements satisfactory to the Association.

- (c) The Recipient has designated procurement staff to MoFD, KEFRI, KWS, CDA, and NEMA with qualifications and experience satisfactory to the Association.
  - (d) The GEF Grant Agreement has been executed and delivered and all conditions precedent to its effectiveness or to the right of the Recipient to make withdrawals under it (other than the effectiveness of this Agreement) have been fulfilled.
- 5.02. The Additional Legal Matters consist of the following: the Subsidiary Agreements have been duly authorized or ratified by the Recipient and the Project Implementing Agencies and are legally binding upon the Recipient and the Project Implementing Agencies in accordance with their respective 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 (other than those providing for payment obligations) shall terminate is twenty years after the date of this Agreement.

**ARTICLE VI — REPRESENTATIVE; ADDRESSES**

6.01. The Recipient's representative is its 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/ Oburu Odinga*  
Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By

*/s/ Johannes Zutt*  
Authorized Representative

## **SCHEDULE 1**

### **Project Description**

The objective of the Project is to promote environmentally sustainable management of Kenya's coastal and marine resources by strengthening the capacity of existing relevant government agencies and by enhancing the capacity of rural micro, small and medium sized enterprises in selected coastal communities.

The Project consists of the following parts:

#### Part 1: Sustainable Management of Fisheries Resources

Promoting sustainable management of fisheries resources and enhancing the benefits and revenue generation derived from coastal fisheries through:

- (a) developing and implementing a cost effective monitoring control and surveillance strategy in Kenya's Exclusive Economic Zone.
- (b) developing the Recipient's capacity to negotiate fair and transparent license agreements with distant water fishing nations and vessels through training and technical advisory services.
- (c) developing and implementing a vessel monitoring system for licensed fishing vessels.
- (d) carrying out routine monitoring of vessels, licenses, fish landings and developing a fisheries management information system.
- (e) carrying out research to support stock assessments for ten (10) agreed priority fish species.
- (f) carrying out demand-driven research for aquaculture.
- (g) rehabilitating and constructing hatcheries.
- (h) promoting aquaculture production through technical assistance, training and provision of necessary equipment.
- (i) undertaking quality assurance and building capacity and awareness of fishing communities through training and dissemination of information.
- (j) developing the legal and policy framework for sustainable aquaculture development.
- (k) undertaking spatial mapping of fisheries and related oceanographic and environmental parameters.

- (l) promoting ecosystem-based management of fish resources.
- (m) developing fishery specific co-management plans.
- (n) carrying out research on by-catch management and control and on tools for reducing mortality of turtles, seabirds and mammals and other protected or endangered species.

Part 2: Sound Management of Natural Resources

Promoting sound management of natural resources and eco-tourism related industries through:

- (a) setting up of a coastal biodiversity information management system.
- (b) carrying out specialized surveys on flora and fauna in the Arabuko-Sokoke, Boni-Dodori and Kiunga forests areas and any other areas agreed with the Association.
- (c) carrying out of biodiversity assessments in the Mombasa Marine National Park and Kisite-Mpunguti, Shimba Hills, Shimoni, Marereni and Assakone community conservation areas and any other areas agreed with the Association.
- (d) developing and implementing guidelines for management of environmentally and socially critical habitats in the Tana Delta.
- (e) developing and implementing conservation strategies for endangered species/ecosystems such as sea turtles, coral reefs and dugong and other critical habitats.
- (f) promoting co-management of conservancies by facilitating partnership between the Recipient and local communities and implementing management plans for conservation and sustainable use of coastal mangrove and other forest ecosystems.
- (g) creating and securing an elephant corridor linking Arabuko-Sokoke forest to Tsavo East National Park.
- (h) building the capacity of institutional staff and local community members in conservation management through training and sharing of best practices.
- (i) carrying out of economic valuation for Shimba Hills and the Malindi - Watamu Marine Protected Area.
- (j) supporting greater collaboration, harmonization, monitoring and surveillance of shared fisheries and other resources at Kisite-Mpunguti and Shimba Hills, and between South Coast in Kenya and Tanga, Pangani, Zanzibar and Pemba in Tanzania so that individual national budgets in the two countries are more effective.



- (k) strengthening extension services for village based investment activities through training, information sharing and technical advice.
- (l) developing and disseminating information on ten (10) appropriate technologies for village based investment activities.
- (m) compiling information on existing tourism infrastructure, assets and activities along the Kenya coast.
- (n) developing new tourism circuits in Kiunga, Lamu, Mombasa, Malindi, Watamu, Arabuko-Sokoke and South Coast, by facilitating partnerships amongst the local industry players and local communities; and carrying out activities to develop and promote markets for the new circuits.
- (o) undertaking a study on tourism income distribution to identify opportunities for local communities to exploit and building their capacity to exploit these opportunities in sustainable manner.
- (p) carrying out specific coastal and marine research for promoting sustainable management of natural resources.

Part 3: Support for Alternative Livelihoods

Promoting sustainable livelihoods within a sound governance framework through:

- (a) preparing land capability plans and land use plans to assess land potential and defining broad land use plans at the provincial, district and ward levels of the Coast Province.
- (b) Strengthening NEMA's capacity to implement the Integrated Coastal Zone Management (ICZM) framework through: (i) technical assistance for reviewing the relevant policy and legal framework, (ii) rehabilitating and refurbishing offices, (iv) provision of training and equipment, (v) financing of community outreach activities and (v) developing and implementing an ICZM awareness strategy.
- (c) developing and implementing incentives for environmental governance and conservation.
- (d) building the capacity of the provincial and district land offices in the Coast Province through rehabilitation and refurbishment of offices and provision of training and relevant equipment.
- (e) sensitizing local communities on sustainable land use.
- (f) harmonizing the legislative and regulatory framework for addressing environmental degradation along the coast and strengthening associated institutions through sensitization, training and provision of relevant equipment.

- (g) developing CDA's capacity to promote partnerships between local communities and Micro, Small and Medium Enterprises (MSMEs) through training, technical advisory services, rehabilitation and refurbishment of offices and provision of relevant equipment.
- (h) providing Business Development Services (BDS) and establishing BDS resource centers for MSMEs.
- (i) promoting the availability and accessibility of ready financing for MSMEs through: (i) value addition micro studies in the mango, cashew, fishing and jatropha subsectors and other natural resources subsectors; (ii) provision of training and support in basic financial management, (iii) developing business plans and business licensing; and (iv) provision of relevant equipment and supplies.
- (j) promoting value addition of village based economic activities in five (5) viable subsectors to maximize economic returns to local communities.
- (k) piloting five (5) public private partnerships between local investors and MSMEs.

Part 4: Capacity Building, Monitoring & Evaluation System, Project Management Communication and Community Village Fund

Promoting investment in village based economic activities and enhancing the capacity for Project implementation, and stakeholder dialogue through:

- (a) establishing and implementing a Coastal Village Fund to provide grants to Beneficiaries to implement pre-selected activities that promote the sustainable management of fishery resources and the sound management of natural resources.
- (b) establishing and building capacity of the Project staff through training, technical advisory services and provision of relevant goods.
- (c) developing an information and communication strategy for the Project.
- (d) developing and implementing an effective monitoring and evaluation system.
- (e) financing of Operating Costs.

**SCHEDULE 2**  
**Project Execution**

**Section I.     Implementation Arrangements**

**A.     Institutional Arrangements**

*Ministry of Fisheries Development*

1.     The Ministry of Fisheries Development (MoFD) shall be responsible for the overall coordination of the Project.

*National Project Steering Committee*

2.     The Recipient shall maintain throughout Project implementation, a National Project Steering Committee (NPSC) in form and substance and with functions and resources satisfactory to the Association.
3.     Without limitation upon the provisions of paragraph 2 of this Section, the NPSC shall meet twice a year or as needed, and shall be responsible for: (i) providing overall policy guidance on all issues relating to the Project; (ii) facilitating coordination among the Relevant Ministries; and (iii) reviewing and approving annual work plans and budgets.

*Coastal Area Development Committee*

4.     The Recipient shall not later than February 15, 2011 establish and thereafter maintain throughout Project implementation, a Coastal Area Development Committee (CADC) in form and substance and with functions and resources satisfactory to the Association.
5.     Without limitation upon the provisions of paragraph 4 of this Section, the CADC shall be responsible for: (i) the periodic monitoring of the implementation of Micro-Projects; (ii) providing linkage between the Project Coordination Unit and coastal communities by disseminating information and obtaining feedback on Project performance; (iii) promoting a culture of wealth creation in coastal communities through outreach programs; and (iv) promoting the use of modern technology to enhance productivity and conservation.

*Project Coordinator*

6.     The Recipient shall not later than November 1, 2010 appoint and thereafter maintain throughout Project implementation, a full time Project Coordinator (PC) with qualifications, experience, resources and terms of reference satisfactory to the Association.

7. Without limitation upon the provisions of paragraph 6 of this Section, the PC shall be responsible for overall Project coordination and management and serve as secretary to the National Project Steering Committee.

*Project Coordination Unit*

8. The Recipient shall not later than November 1, 2010 set up and thereafter maintain throughout Project implementation, a Project Coordination Unit (PCU) within KMFRI with staffing, resources and terms of reference satisfactory to the Association.
9. Without limitation upon the provisions of paragraph 8 of this Section, the PCU shall undertake the day-to-day administration of the Project including financial management, consolidation of procurement plans, procurement processing, preparation of annual work plans and budgets and compilation and consolidation of progress reports, financial management and monitoring and evaluation reports.

*Project Component Managers*

10. The Recipient shall cause the MoFD, the CDA, KWS and KMFRI, to not later than November 1, 2010 appoint and thereafter maintain throughout Project implementation, Project Component Managers to be seconded to the PCU with qualifications, terms of reference and experience satisfactory to the Association.
11. Without limitation upon the provisions of paragraph 10 of this Section, the Project Component Managers shall be responsible for the coordination of the technical implementation of the activities under the respective component of the Project.

**B. Subsidiary Agreements**

12. To facilitate the carrying out of the Project Implementing Agencies' respective parts of the Project, the Recipient shall make the proceeds of the Financing allocated from time to time for the respective Categories, available to the Project Implementing Agencies under a subsidiary agreement between the Recipient and each Project Implementing Agency (Subsidiary Agreement) under terms and conditions approved by the Association, which shall require the Project Implementing Agency to, *inter alia*:
  - (a) carry out its respective part of the Project 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 goods and services required for its respective part of the Project and to be financed out of the proceeds of the Financing in

accordance with the provisions of Section III of this Schedule; and (ii) ensure that all such goods and services are used exclusively for the purposes of the Project.

- (c) ensure that all facilities relevant to its respective part of the Project shall at all times be properly operated and maintained and that all necessary repairs and renewals of such facilities shall be made promptly as needed.
- (d) with respect to records management, (i) maintain records adequate to record the progress of its respective part of the Project (including its cost and the benefits to be derived from it), to identify the goods and services financed out of the proceeds of the Financing and disclose their use in the Project; (ii) furnish such records and information as may be requested by the Recipient or the Association; and (iii) retain all records evidencing expenditures under its respective part of the Project for the period of time specified in the General Conditions.
- (e) with respect to monitoring and evaluation (i) maintain policies and procedures adequate to enable it to monitor and evaluate on an ongoing basis, in accordance with indicators acceptable to the Association, the progress of its respective part of the Project and the achievement of its objective; (ii) prepare periodic reports, in form and substance satisfactory to the Association, 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 part of the Project, and to achieve its objectives, each such report to cover every quarter; (iii) furnish each such report to the Recipient within two weeks 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 Association shall reasonably request, on the execution of its respective part of the Project, and furnish the same to the Recipient within two weeks 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.
- (f) with respect to the financial management (i) 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 its operations and financial condition, including the operations, resources and expenditures related to its respective part of the Project; (ii) avail the records pertaining to the Project to external and internal auditors for audit; and (iii) prepare and submit, on the fifth day of each month interim unaudited financial reports relating to the previous month to the PCU for consolidation and such other information concerning

such unaudited financial statements as the Association may from time to time reasonably request.

- (g) open and maintain a dedicated Project Account, until the completion of the Project, in a commercial bank at the coast and on terms and conditions acceptable to the Association; and ensure that the funds deposited into the Project Account shall be used exclusively to finance the cost of expenditures related to the Project.
  - (h) designate and maintain staff in the coastal region as appropriate, with qualifications, resources, terms of reference and experience satisfactory to the Association, for the implementation of the Project.
  - (i) participate in and implement the relevant recommendations of the Mid-Term Review.
13. Without limitation upon the provisions of paragraph 12 of this Section, the Subsidiary Agreement with KMFRI shall include a requirement for KMFRI through PCU to undertake within the first year of Project implementation, the day-to-day coordination of the Project including financial oversight.
14. 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 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.

**C. Project Implementing Ministries**

15. In order to promote effective implementation of their respective parts of the Project, the Recipient shall ensure that the Project Implementing Ministries observe the requirements referred to in paragraph 12 of this Section.

**D. Project Implementation Manual**

16. In implementing the Project, the Recipient shall:
- (a) develop and adopt a Project Implementation Manual (PIM) in form and substance satisfactory to the Association.
  - (b) implement the Project in accordance with the Project Implementation Manual and except as the Association shall otherwise agree in writing, not amend or waive, or permit to be amended or waived any provision of the Project Implementation Manual, if such amendment or waiver may, in the opinion of the Association, materially or adversely affect the implementation of the Project.

**E. The Coastal Village Fund and Micro-Projects**

17. In implementing Part 4(a) of the Project, the Recipient shall:
  - (a) maintain at all times during the implementation of the Project, the ALRMP Project Coordination Unit (ALRMP PCU) under the Ministry of State for the Development of the Northern Kenya and Other Arid Lands with mandate, staffing, and resources satisfactory to the Association with the overall responsibility for overseeing the implementation of the Coastal Village Fund.
  - (b) not later than February 15, 2011 appoint and thereafter maintain at all times during the implementation of the Project, Regional Coordinators with qualifications, experience, mandate and resources satisfactory to the Association with the responsibility of coordinating the implementation of the Coastal Village Fund activities in the District Clusters and liaising with the District Steering Groups (DSGs) in each District in the District Cluster.
  - (c) Maintain at all times during the implementation of the Project, a DSG in each Participating District, with mandate, staffing and resources satisfactory to the Association with the responsibility of recommending for approval activities for support under the Coastal Village Fund.
  - (d) Not later than February 15, 2011 appoint and thereafter maintain at all times during the implementation of the Project, Mobile Extension Teams (METs) with mandate and resources satisfactory to the Association with the responsibility of building the capacity of communities to implement Project activities and monitoring the implementation of Community Action Plans.
  - (e) Maintain at all times during the implementation of the Project, Community Development Committees in each community group with the responsibility of mobilizing community involvement in the Project activities.
18. Without limitation upon the provisions of paragraph 17 of this section, the Recipient shall ensure that the Ministry of State for the Development of the Northern Kenya and Other Arid Lands provides Micro-Project Grants under the Coastal Village Fund to Beneficiaries to implement Micro-Projects in accordance with eligibility criteria and procedures acceptable to the Association and specified in the Project Implementation Manual and the ALRMP CDD Manual which shall include the following:
  - (a) Micro-Project Grants shall be provided to support alternative livelihoods and promote sustainable management of fisheries resources and the sound management of natural resources.

- (b) Beneficiaries implementing Micro-Projects shall: (i) contribute 30% of the total costs for income-generation initiatives in cash or in kind; (ii) open and maintain a bank account, on terms and conditions satisfactory to the Association, for receiving therein the community contributions and funds from the proceeds of the Micro-Project Grants.
- (c) Micro-Project Grants shall be made under a Micro-Project Grant Agreement with the respective Beneficiary on terms and conditions acceptable to the Association, which shall cover 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 Micro-Project Grant, or obtain a refund of all or any part of the amount of the Micro-Project Grants then withdrawn, upon the Beneficiary's failure to perform any of its obligations under the Micro-Project Grant Agreement; and (ii) require each Beneficiary to: (A) carry out its Micro-Project with due diligence and efficiency and in accordance with sound technical, economic, financial, managerial, environmental and social standards and practices satisfactory to the Association, including in accordance with the provisions of the Anti-Corruption Guidelines applicable to recipients of loan proceeds other than the Recipient; (B) provide, promptly as needed, the resources required for the purpose; (C) procure the goods, works and services to be financed out of the Micro-Project Grant in accordance with the provisions of this Agreement; (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-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 Association, both in a manner adequate to reflect the operations, resources and expenditures related to the Micro-Project; 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-Project, its operation and any relevant records and documents; (G) prepare and furnish to the Recipient and the Association all such information as the Recipient or the Association shall reasonably request; and (H) take such measures as shall be necessary or appropriate to comply with the requirements of the Environmental and Social Management Framework, the Indigenous Peoples Planning Framework or the Process Framework as the case may be.
- (d) The Recipient shall exercise its rights and carry out its obligations under each Micro-Project Grant Agreement 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 any Micro-Project Grant Agreement or any of its provisions.

**F. Anti-Corruption**

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

**G. Environmental and Social Safeguards**

20. The Recipient shall:
- (a) Implement the Project in compliance with the requirements of the Environmental and Social Management Framework (ESMF), the Indigenous Peoples Planning Framework (IPPF), and the Process Framework (PF) except as the Association shall otherwise agree in writing and, subject to the initial requirements for consultations and disclosure, the Recipient shall not amend or waive any provision of the ESMF, IPPF or the PF if any such amendment or waiver may, in the opinion of the Association, materially or adversely affect the implementation of the Project.
  - (b) Without limitation to paragraph 20 (a) immediately above, the Recipient shall ensure that all technical assistance under the Project, application of whose results would have environmental or social implications (such as, but not limited to, technical assistance to prepare plans under Part 3 (a) of the Project), shall only be undertaken pursuant to terms of reference reviewed and found satisfactory by the Association, such terms of reference to ensure that the technical assistance takes into account, and calls for application of, the Association's environmental and social safeguard policies.
  - (c) Except as otherwise agreed in writing by the Association, the Recipient shall require that in implementing the Micro-Projects the Beneficiaries take such measures as shall be necessary or appropriate to comply with the requirements of the ESMF, IPPF or the PF as the case may be.
  - (d) Ensure that Project reports referred to in Section II.A of this Schedule shall include adequate information on the implementation and monitoring of the measures undertaken to implement the provisions of the ESMF, IPPF and PF.

**H. Disclosure of information and Social Accountability**

21. The Recipient shall throughout the implementation of the Project, ensure that there are adequate Social Accountability Measures to ensure that stakeholders participate effectively in the monitoring of the use of Project resources.

**I. Other Covenants**

22. The Recipient shall ensure that KMFRI has not later than February 15, 2011 computerized its accounting function.
23. The Recipient shall carry out on annual basis a post procurement review of all Micro-Project Grants.

**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 in the Project Implementation Manual. Each Project Report shall cover the period of ninety (90) days and shall be furnished to the Association not later than forty five (45) days after the end of the period covered by such report.
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 six (6) months after the Closing Date.
3. The Recipient shall:
  - (a) not later than October 30, 2013 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) not later than thirty (30) 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 (45) days after the end of each 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 was made under the Preparation Advance for the Project. The audited Financial Statements and a Management Letter for such period shall be furnished to the Association not later than six months (6) after the end of such period.

### **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:

**Other Methods of Procurement of Goods and Works**

<b>Procurement Method</b>	
(a)	International Competitive Bidding
(b)	National Competitive Bidding*
(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 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 Association.
- (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 Association.
- (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.
- (ix) Shopping procedure will apply for each low value contracts in lieu of Direct Procurement, except as otherwise previously agreed in writing by the Association.

**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)	Selection under a Fixed Budget
(c)	Least Cost Selection
(d)	Selection based on Consultants’ Qualifications
(e)	Single-Source Selection
(f)	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 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 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 Association and as made applicable to this Agreement pursuant to such instructions), to finance Eligible Expenditures as set forth in the table in paragraph 2 below.
2. The following table specifies the categories of Eligible Expenditures that may be financed out of the proceeds of the Financing (“Category”), the allocations of the amounts of the Financing to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category:

<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, Works, Services , Training and Operating Costs under Part 1 and 2 of the Project	7,800,000	IDA 70%
2. Goods, Works, Services , Training and Operating Costs under Part 3 and 4 (excluding Part 3 (k) and Part 4 (a) ) of the Project	5,500,000	IDA 100%
3. Investments under Part 3 (k) of the Project	3,850,000	IDA 100%
4. Grants under the Coastal Village Fund under Part 4 (a) of the Project	6,650,000	IDA 100%
<b>TOTAL AMOUNT</b>	23,800,000	

**B. Withdrawal Conditions; Withdrawal Period**

1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made: (a) for payment made prior to the date of this agreement; and (b) with respect to category 4 until a Resettlement Action Plan satisfactory to the Association has been prepared.
2. The Closing Date is October 29, 2016.

**SCHEDULE 3**

**Repayment Schedule**

<b>Date Payment Due</b>	<b>Principal Amount of the Credit repayable (expressed as a percentage)*</b>
On each November 15 and May 15	
commencing November 15, 2020 to and including May 15, 2030	1%
commencing November 15, 2030 to and including May 15, 2050	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

### 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 with the modifications set forth in Section III of this Appendix.
2. “Arid Lands Resource Management Project” or “ALRMP” means the Recipient’s Project financed by the Association Credit nos. 3795 KE and 3795-1 KE respectively.
3. “Arid Lands Resource Management Project Project Coordination Unit” or “ALRMP PCU” means the unit within the Ministry of the Development of the Northern Kenya and Other Arid Lands established for the implementation of ALRMP and referred to in Section I.E (17) (a) of Schedule 2 to this Agreement.
4. “ALRMP CDD Manual” means the manual prepared by the Recipient setting forth the rules, procedures, standards and guidelines for the implementation of the Community Driven Development (CDD) component of the ALRMP.
5. “Beach Management Unit” means community based membership organizations bringing together fisheries stakeholders (government officials, boat crew, boat owners, managers, charterers, fish processors, fish mongers, local gear makers or repairers and fishing equipment dealers) at a beach or fish landing site with a view to improving the management of fisheries resources and the livelihoods of the community members.
6. “Beneficiaries” means the community groups which meet the eligibility criteria specified in the Project Implementation Manual and ALRMP CDD Manual for receiving Micro-Project Grants and to which or for whose benefit a Micro-Project Grant is made or proposed to be made, and in its singular form the term means any one such grouping.
7. “Business Development Services” or “BDS” means business capacity building services, including strategic and operational services such as assistance in setting up a new business, existing product enhancement, export development services, training, coaching, and mentoring.
8. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.
9. “Coast Development Authority” or “CDA” means the Recipient’s regional development agency responsible for the Coast Province, established and operating pursuant to the Coast Development Authority Act, Chapter 449 of the Laws of Kenya or its legal successor thereto.

10. “Coastal Area Development Committee” or “CADC” means a committee established by the Recipient in accordance with Section I. A (4) of Schedule 2 to this Agreement, comprising representatives from: Beach Management Units; Beneficiaries implementing Micro-Projects; the Coast Interfaith Council of Clerics; human health based community based organizations; tourism based nongovernmental organizations or community based organizations; forestry based nongovernmental organizations or community based organizations; agricultural based nongovernmental organizations or community based organizations and such other organizations as may be identified from time to time with the prior concurrence of the Association.
11. “Coastal Village Fund” or “CVF” means the fund established under Part 4 (a) of Schedule 1 to this Agreement to provide grant funds to Beneficiaries for the implementation of investment activities.
12. “Coast Interfaith Council of Clerics” means a voluntary association of Christian and Muslim clerics in the coast region established to advance the mutual interests of its members.
13. “Coast Province” means an administrative subdivision established pursuant to the Recipient’s District and Provinces Act, Act No. 5 of 1992 of the Laws of Kenya.
14. “Co-financier” means the Global Environmental Facility (GEF) referred to in paragraph 10 of the Appendix to the General Conditions.
15. “Co-financing” means an amount of five million Dollars (US \$ 5,000,000) to be provided by the Co-financier to assist in financing the Project.
16. “Co-financing Agreement” or “GEF Grant Agreement” means the agreement to be entered into between the Recipient and the Co-financier providing for the Co-financing.
17. “Community Action Plan” means a plan prepared by a community through a participatory process for purposes of identifying and prioritizing community development needs.
18. “Community Development Committees” means a committees established by the Recipient at the local level and consisting of community leaders and other local level stakeholders and referred to in Section I.E (17) (e) of Schedule 2 to this Agreement.
19. “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 and May 2010.
20. “District” means an administrative subdivision within the Recipient’s territory established pursuant to the Recipient’s District and Provinces Act, Act No. 5 of 1992 of the Laws of Kenya.

21. “District Cluster” means the Districts of Kilifi, Lamu and Malindi constituting the North Coast cluster and the Districts of Kwale and Taita Taveta constituting the South Coast cluster and any other Districts agreed with the Association in writing.
22. “District Steering Group” or “DSG” means a group of selected local leaders, technical staff of the District and partner agencies responsible for resource mobilization and coordination of development activities in the District.
23. “Environmental and Social Management Framework” or “ESMF” means an instrument satisfactory to the Association, prepared and adopted by the Recipient and dated February 5, 2010 outlining the process for management of the environmental and social aspects of the Project as the same may be amended from time to time with the Association’s prior written concurrence.
24. “Exclusive Economic Zone” means the sea zone stretching sea wards to 200 nautical miles measured from the low water line, in which the Recipient by virtue of international law has special rights over the exploration and use of resources found therein.
25. “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.
26. “GEF Grant Agreement” means the agreement of same date as this Agreement between the Recipient and the World Bank, acting as an Implementing Agency of the Global Environment Facility (GEF), providing a grant to the Recipient to assist in financing Parts 1 and 2 of the Project (referred to as Parts 1 and 2 in the GEF Grant Agreement), as such agreement may be amended from time to time. “GEF Grant Agreement” includes all appendices, schedules and agreements supplemental to the GEF Grant Agreement.
27. “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.
28. “Indigenous Peoples Planning Framework” or “IPPF” means an instrument prepared by the Recipient satisfactory to the Association and dated February 5, 2010 outlining the basis for identifying Indigenous Peoples and their rights, the appropriate consultative process as well as guidelines to avert, minimize, mitigate, or provide culturally appropriate compensation for any potentially adverse effects as the same may be amended from time to time with the Association’s prior written concurrence.

29. “Integrated Coastal Zone Management” or “ICZM” means a holistic and dynamic process of resource management for environmentally sustainable development in coastal areas.
30. “Kenya Marine Fisheries Research Institute” or “KMFRI” means the marine research institute established and operating pursuant to the Recipient’s Science and Technology Act, Chapter 250 of the Laws of Kenya or its legal successor thereto.
31. “Kenya Forestry Research Institute” or “KEFRI” means a research institute mandated to carry out research in forestry and allied natural resources, established and operating pursuant to the Recipient’s Science and Technology Act, Chapter 250 of the Laws of Kenya or its legal successor thereto.
32. “Kenya Wildlife Service” or “KWS” means an agency responsible for wildlife management, established and operating pursuant to the Recipient’s Wildlife (Conservation and Management) Act, Chapter 376 of the Laws of Kenya or its legal successor thereto.
33. “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.
34. “Marine Protected Areas” or “MPA” means areas of inter-tidal or sub-tidal terrain, together with their overlying waters and associated flora, fauna, and historical and cultural features, which have been reserved for special protection pursuant to the relevant laws of the Recipient.
35. “Micro-Project” means community level investments which meet the eligibility criteria set out in the Project Implementation Manual, the ALRMP CDD Manual, the provisions of Section I. E (18) of Schedule 2 to this Agreement, and are eligible to receive financing under the Coastal Village Fund, and Micro-Projects means collectively, all such community level investments.
36. “Micro-Project Grant” means a grant financing made or proposed to be made by the Recipient out of the Coastal Village Fund for the purpose of financing eligible Micro-Projects and referred to in Section I. E (18) of Schedule 2 to this Agreement.
37. “Micro-Project Grant Agreement” means an agreement satisfactory to the Association, between the Recipient and the Beneficiary through which the Recipient provides Micro-Project Grants to eligible Beneficiaries, and referred to in Section I. E (18) of Schedule 2 to this Agreement.
38. “Ministry of Environment and Natural Resources” means the Recipient’s Ministry responsible for environmental and natural resources.

39. “Ministry of Finance” means the Recipient’s Ministry responsible for finance.
40. “Ministry of Fisheries Development” or “MoFD” means the Recipient’s Ministry responsible for fisheries development.
41. “Ministry of Forestry and Wildlife” means the Recipient’s Ministry responsible for forestry and wildlife.
42. “Ministry of Lands” means the Recipient’s Ministry responsible for land.
43. “Ministry of Regional Development Authorities” means the Recipient’s Ministry responsible for regional development agencies.
44. “Ministry of State for the Development of Northern Kenya and Other Arid Lands” means the Recipient’s Ministry responsible for fast-tracking the development of Northern Kenya and Other Arid Lands.
45. “Mobile Extension Teams” means teams consisting of government officers from various departments working with communities at the local level and referred to in Section I.E (17) (d) of Schedule 2 to this Agreement.
46. “MSME” means a micro, small and medium enterprise established and operating pursuant to the Recipient’s relevant laws.
47. “National Environment Management Authority” or “NEMA” means the Recipient’s agency responsible for promoting sustainable environmental management, established and operating pursuant to the Environmental Management and Coordination Act , Act No. 8 of 1999 of the Laws of Kenya or its legal successor thereto.
48. “National Project Steering Committee” or “NPSC” means a committee established by the Recipient in accordance with Section I. A (2) of Schedule 2 to this Agreement, comprising Permanent Secretaries of the Relevant Ministries, Directors of the Project Implementing Agencies, relevant directors in Relevant Ministries, the PC and chaired by PS Ministry of Fisheries Development.
49. “Operating Costs” means the expenses incurred on account of Project implementation including expenditures for maintaining equipment and vehicles, fuel, office supplies, utilities, consumables, travel per diems and allowances, travel and accommodation, workshop venues and materials and communication costs.
50. “Participating Districts” means the Districts of Kilifi, Kwale, Lamu, Malindi, and Taita Taveta and any other districts which may be agreed with the Association in writing.
51. “Process Framework” or “PF” means an instrument satisfactory to the Association, prepared and adopted by the Recipient and dated April 30 , 2010

outlining the process by which members of potentially affected communities participate in design of project activities, determination of criteria for eligibility and compensating measures to assist those adversely affected, and implementation and monitoring of relevant Project activities as the same may be amended from time to time with the Association's prior written concurrence.

52. "Procurement Guidelines" means the "Guidelines: Procurement under IBRD Loans and IDA Credits" published by the Bank in May 2004 and revised in October 2006 and May 2010.
53. "Procurement Plan" means the Recipient's procurement plan for the Project, dated June 4, 2010 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.
54. "Project Account" means an account to be opened in a commercial bank acceptable to the Association and operated by the Recipient, the Project Implementing Agencies or the Beneficiaries for purposes of receiving the proceeds of the Financing.
55. "Project Component Manager" means an officer appointed by MoFD, CDA, KWS and or KMFRI with responsibility for coordinating the implementation of component activities and referred to in Section I.A (10) of Schedule 2 to this Agreement.
56. "Project Coordinator" or "PC" means an officer appointed by the Recipient with responsibility for the overall Project coordination and referred to in Section I.A (6) of Schedule 2 to this Agreement.
57. "Project Coordination Unit" or "PCU" means the project implementing unit within KMFRI established under Section I.A (8) of Schedule 2 to this Agreement comprising of PC, Project Component Managers, a procurement officer, an accountant, a secretary, assistant accountant, monitoring and evaluation officer supported by consultant specialists including a monitoring and evaluation specialist, a communications specialist, a procurement specialist and a financial specialist.
58. "Project Implementing Agency" means CDA, KEFRI, KMFRI, KWS and NEMA.
59. "Project Implementing Agency's Legislation" means the Coast Development Authority Act, Chapter 449 of the Laws of the Recipient (as the same may be amended from time to time), or the Wildlife (Conservation and Management) Act, Chapter 376 of the Laws of the Recipient (as the same may be amended from time to time), or the Science and Technology Act, Chapter 250 of the Laws of the Recipient (as the same may be amended from time to time) or the

Environmental Management and Coordination Act, Act No. 8 of 1999 of the Laws of the Recipient (as the same may be amended from time to time).

60. “Project Implementation Manual” means the manual prepared by the Recipient setting forth the rules, procedures, standards and guidelines for the implementation of the Project, including administrative and financial management procedures and an annex detailing the risk based internal audit approach and referred to in Section I.D (16) of Schedule 2 to this Agreement, as the same may be amended and supplemented from time to time with the prior written agreement of the Association.
61. “Project Implementing Ministries” means the Ministry of Fisheries Development, the Ministry of Lands and the Ministry of State for the Development of Northern Kenya and Other Arid Lands.
62. “Regional Coordinator” or “RC” means an officer appointed by the Recipient with the responsibility for coordinating the implementation of the Coastal Village Fund activities in a District Cluster and referred to in Section I.E (17) (b) of Schedule 2 to this Agreement.
63. “Relevant Ministry” means the Ministry of Fisheries Development; Ministry of Regional Development Authorities; Ministry of Forestry and Wildlife; Ministry of Lands; the Ministry of the Development of Northern Kenya and Other Arid Lands; Ministry of Environment and Natural Resources and the Ministry of Finance.
64. “Resettlement Action Plan” or “RAP” means a plan in form and substance satisfactory to the Association prepared and adopted by the Recipient pursuant to Section IV. B (1) of Schedule 2 to this Agreement setting out the proposed resettlement and its impact on displaced persons and other adversely affected groups and the actions planned to be undertaken to mitigate the potential negative impact of the Project activities on the affected persons as the said document may be amended and/or supplemented from time to time with the prior written concurrence of the Association.
65. “Social Accountability Measures” 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, Project operational results, Project implementation progress, audit findings; reports on corruption and fraud; and mechanisms for public complaints and feedback, and referred to in Section I. H (21) of Schedule 2 to this Agreement.
66. “Subsidiary Agreement” means the agreement entered into between the Recipient represented by the Ministry of Fisheries Development and a Project Implementing Agency pursuant to which the Recipient makes part of the proceeds of the Financing available to the Project Implementing Agency.
67. “Training” means the costs incurred on account of seminars, workshops and study tours including travel and subsistence costs for training participants,

costs associated with securing the services of trainers, rental of training facilities, preparation and reproduction of training materials, and other activities incidental to the preparation and implementation of training activities but excluding consultants' services.

## **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:

1. Section 2.07 is modified to read as follows:

### *“Section 2.07. Refinancing Preparation Advance*

If the Financing Agreement provides for the repayment out of the proceeds of the Financing of an advance made by the Association or the Bank (“Preparation Advance”), the Association shall, on behalf of the Recipient, withdraw from the Financing Account on or after the Effective Date the amount required to repay the withdrawn and outstanding balance of the advance as at the date of such withdrawal from the Financing Account and to pay all accrued and unpaid charges, if any, on the advance as at such date. The Association shall pay the amount so withdrawn to itself or the Bank, as the case may be, and shall cancel the remaining unwithdrawn amount of the advance.”

2. Paragraph (i) of Section 6.02 is modified to read as follows:

### *“Section 6.02. Suspension by the Association*

... (1) *Ineligibility.* The Association or the Bank has declared the Project Implementing Entity ineligible to receive proceeds of any financing made by the Association or the Bank or otherwise to participate in the preparation or implementation of any project financed in whole or in part by the Association or the Bank, as a result of: (i) a determination by the Association or the Bank that the Project Implementing Entity has engaged in fraudulent, corrupt, coercive or collusive practices in connection with the use of the proceeds of any financing made by the Association or the Bank; and/or (ii) a declaration by another financier that the Project Implementing Entity is ineligible to receive proceeds of financings made by such financier or otherwise to participate in the preparation or implementation of any project financed in whole or in part by such financier as a result of a determination by such financier that the Project Implementing Entity has engaged in fraudulent, corrupt, coercive or collusive practices in connection with the use of the proceeds of a financing made by such financier.”

3. The following terms and definitions set forth in the Appendix are modified or deleted as follows, and the following new terms and definitions are added in



alphabetical order to the Appendix as follows, with the terms being renumbered accordingly:

- (a) The term “Project Preparation Advance” is modified to read “Preparation Advance” and its definition is modified to read as follows:

“‘Preparation Advance’ means the advance referred to in the Financing Agreement and repayable in accordance with Section 2.07.”

### **Section III. Modifications to the Anti-Corruption Guidelines**

The modifications to the Anti-Corruption Guidelines are as follows:

1. Section 5 is re-numbered as Section 5(a) and a new Section 5(b) is added to read as follows:

“... (b) These Guidelines also provide for the sanctions and related actions to be imposed by the Bank on Borrowers (other than the Member Country) and all other individuals or entities who are recipients of Loan proceeds, in the event that the Borrower or the individual or entity has been debarred by another financier as a result of a determination by such financier that the Borrower or the individual or entity has engaged in fraudulent, corrupt, coercive or collusive practices in connection with the use of the proceeds of a financing made by such financier.”
2. Section 11(a) is modified to read as follows:

“... (a) sanction in accordance with prevailing Bank’s sanctions policies and procedures (fn13) a Borrower (other than a Member Country) (fn 14) or an individual or entity, including (but not limited to) declaring such Borrower, individual or entity ineligible publicly, either indefinitely or for a stated period of time: (i) to be awarded a Bank-financed contract; (ii) to benefit from a Bank-financed contract, financially or otherwise, for example as a sub-contractor; and (iii) to otherwise participate in the preparation or implementation of the project or any other project financed, in whole or in part, by the Bank, if at any time the Bank determines (fn 15) that such Borrower, individual or entity has engaged in corrupt, fraudulent, collusive, coercive or obstructive practices in connection with the use of loan proceeds, or if another financier with which the Bank has entered into an agreement for the mutual enforcement of debarment decisions has declared such person or entity ineligible to receive proceeds of financings made by such financier or otherwise to participate in the preparation or implementation of any project financed in whole or in part by such financier as a result of a determination by such financier that the Borrower or the individual or entity has engaged in fraudulent, corrupt, coercive or collusive practices in connection with the use of the proceeds of a financing made by such financier.”

Footnotes:

“13. An individual or entity may be declared ineligible to be awarded a Bank financed contract upon completion of sanctions proceedings pursuant to the Bank’s sanctions policies and procedures, or under the procedures of temporary suspension or early temporary suspension in connection with an ongoing sanctions proceeding, or following a sanction by another financier with whom the Bank has entered into a cross debarment agreement, as a result of a determination by such financier that the firm or individual has engaged in fraudulent, corrupt, coercive or collusive practices in connection with the use of the proceeds of a financing made by such financier.”

“14. Member Country includes officials and employees of the national government or of any of its political or administrative subdivisions, and government owned enterprises and agencies that are not eligible to bid under paragraph 1.8(b) of the Procurement Guidelines or participate under paragraph 1.11(c) of the Consultant Guidelines.”

“15. The Bank has established a Sanctions Board, and related procedures, for the purpose of making such determinations. The procedures of the Sanctions Board sets forth the full set of sanctions available to the Bank. In addition, the Bank has adopted an internal protocol outlining the process to be followed in implementing debarments by other financiers, and explaining how cross-debarments will be posted on the Bank’s website and otherwise be made known to staff and other stakeholders.”

