Honorabe Njeru Githae  
Minister of Finance  
Ministry of Finance  
Treasury Building  
Nairobi, Kenya  

Dear Hon. Githae:

Re: Republic of Kenya: Support to the formulation of the Kenya National Safety Net Program  
RSR Grant No. TF012914

In response to the request for financial assistance made on behalf of the Republic of Kenya ("Recipient"), I am pleased to inform you that the International Development Association ("World Bank"), acting as administrator of grant funds provided by Russian Federation, United Kingdom and Norway ("Donor(s)") under the Rapid Social Response Multi Donor Trust Fund proposes to extend to the Recipient for the benefit of a grant in an amount not to exceed three hundred and ninety two thousand United States Dollars (U.S.$392,000) ("Grant") on the terms and conditions set forth or referred to in this letter agreement ("Agreement"), which includes the attached Annex, to assist in the financing of the project described in the Annex ("Project").

This Grant is funded out of the above-mentioned trust fund for which the World Bank receives periodic contributions from the Donors. In accordance with Section 3.02 of the Standard Conditions (as defined in the Annex to this Agreement), the World Bank’s payment obligations in connection with this Agreement are limited to the amount of funds made available to it by the Donors under the above-mentioned trust fund, and the Recipient’s right to withdraw the Grant proceeds is subject to the availability of such funds.

The Recipient represents, by confirming its agreement below, that it is authorized to enter into this Agreement and to carry out the Project in accordance with the terms and conditions set forth or referred to in this Agreement.
Please confirm the Recipient’s agreement to the foregoing by having an authorized official of the Recipient sign and date the enclosed copy of this Agreement, and returning it to the World Bank. Upon receipt by the World Bank of this countersigned copy, this Agreement shall become effective as of the date of countersignature.

Sincerely,

INTERNATIONAL DEVELOPMENT ASSOCIATION

[Signature]

Johannes Zutt
Country Director for Kenya
Africa Region

AGREED:
REPUBLIC OF KENYA

[Signature]
Authorized Representative

Name: Hon. Robinson N. Githae
Title: MINISTER FOR FINANCE
Date: 5th October, 2012

Enclosures:

(2) Disbursement Letter of the same date as this Agreement, together with World Bank Disbursement Guidelines for Projects, dated May 1, 2006
RSR Grant No. TF012914

ANNEX

Article I
Standard Conditions; Definitions


1.02. **Definitions.** Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the Standard Conditions or in this Agreement.

(a) "Office of the Prime Minister" or "OPM" means the Recipient’s Prime Minister’s office.

(b) "Operating Costs" means the reasonable and necessary expenses incurred by the Recipient with respect to project implementation, management and monitoring, including salaries and benefits, communications, editing, printing and publication, translation, workshops, vehicle operation and maintenance, costs of utilities and supplies (rent, telephones, transport, airtime), local travel costs and field trip expenses, but excluding any salaries and social charges of the Recipient’s civil or public servants.

(c) "Social Protection Secretariat" means an administrative unit within the MoGCSD responsible for coordinating implementation of social protection initiatives in the Recipient’s territory.

(d) "MoGSD" or "Ministry of Gender, Children and Social Development" means the Recipient’s ministry responsible for children, gender and social development.
Article II
Project Execution

2.01. Project Objectives and Description. The objective of the Project is to support the Recipient in its formulation of a national safety net program. The Project consists of the following parts:

Part 1: National Safety Net Program

(a) Strengthening the capacity of the Social Protection Secretariat to effectively manage the reform of the safety net sector into a national program through provision of technical assistance, goods and services required for that purpose.

(b) Conduct a study on youth employment and livelihoods to contribute to the youth aspects of the national program on safety net through provision of technical advisory services required for that purpose.

2.02. Project Execution Generally. The Recipient declares its commitment to the objectives of the Project. To this end, the Recipient shall carry out the Project through the Office of the Prime Minister in accordance with the provisions of: (a) Article II of the Standard Conditions; (b) the “Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants”, dated October 15, 2006 and revised in January 2011 (“Anti-Corruption Guidelines”); (c) this Article II; and (d) the agreement dated the same date as this Agreement between the World Bank and the Recipient, as such agreement may be amended from time to time (“Project Agreement”).

2.03. Institutional and Other Arrangements.

(a) The Recipient shall ensure throughout Project implementation that:

(i) availability of adequate resources and staff with skills and experience to carry out the Project satisfactory to the World Bank; and

(ii) OPM works closely with the Social Protection Secretariat to ensure appropriate coordination and strategic oversight of project implementation.

2.04. Donor Visibility

The Recipient shall take or cause to be taken all such measures as the World Bank may reasonably request to identify publicly the Donors’ support for the Project.

2.05. Project Monitoring, Reporting and Evaluation.

(a) The Recipient shall monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 2.06 of the Standard Conditions and on the basis of indicators acceptable to the World Bank. Each Project Report shall cover the period of one calendar semester, and shall be furnished to the World Bank not later than one month after the end of the period covered by such report.
The Recipient shall prepare the Completion Report in accordance with the provisions of Section 2.06 of the Standard Conditions. The Completion Report shall be furnished to the World Bank not later than six months after the Closing Date.

2.06. **Financial Management.**

(a) The Recipient shall ensure that a financial management system is maintained in accordance with the provisions of Section 2.07 of the Standard Conditions.

(b) The Recipient shall ensure that interim unaudited financial reports for the Project are prepared and furnished to the World Bank (as part of the Project Report) not later than forty five (45) days after the end of each calendar quarter, covering the quarter, in form and substance satisfactory to the World Bank.

(c) The Recipient shall have its Financial Statements audited in accordance with the provisions of Section 2.07 (b) of the Standard Conditions. Such audit of the Financial Statements shall cover the period of one fiscal year of the Recipient. The audited Financial Statements for such period shall be furnished to the World Bank not later than six months after the end of such period.

2.07. **Procurement**

(a) **General.** All goods, works, non-consulting services and consultants' services required for the Project and to be financed out of the proceeds of the Grant shall be procured in accordance with the requirements set forth or referred to in:

   (i) Section I of the “Guidelines: Procurement of Goods, and Non-consulting Services under IBRD Loans and IDA Credits and Grants by World Bank Borrowers” dated May 2004 and revised in October 2006 and May 2010 (“Procurement Guidelines”), in the case of good, and non-consulting services;

   (ii) Sections I and IV of the “Guidelines: Selection and Employment of Consultants under IBRD Loans and IDA Credits and Grants by World Bank Borrowers” dated May 2004 and revised in October 2006 and May 2010 (“Consultant Guidelines”) in the case of consultants' services; and

   (iii) The provisions of this Section, as the same shall be elaborated in the procurement plan prepared and updated from time to time by the Recipient for the Project in accordance with paragraph 1.16 of the Procurement Guidelines and paragraph 1.24 of the Consultant Guidelines (“Procurement Plan”).

(b) **Definitions.** The capitalized terms used in the following paragraphs of this Section to describe particular procurement methods or methods of review by the World Bank of particular contracts, refer to the corresponding method described in Sections II and III of the Procurement Guidelines, or Sections II, III, IV and V of the Consultant Guidelines, as the case may be.
Particular Methods of Procurement of Goods, Works and Non-consulting Services

(i) Except as otherwise provided in sub-paragraph (ii) below, goods, works and non-consulting services shall be procured under contracts awarded on the basis of International Competitive Bidding.

(ii) The following methods, other than International Competitive Bidding, may be used for procurement of goods, and non-consulting services for those contracts which are specified in the Procurement Plan:

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>(a)</td>
<td>Limited International Bidding</td>
</tr>
<tr>
<td>(b)</td>
<td>National Competitive Bidding, subject to the provisions set forth in paragraph 2 of this Section B</td>
</tr>
<tr>
<td>(c)</td>
<td>Shopping*, subject to the provisions of paragraph 3 of this Section B</td>
</tr>
<tr>
<td>(d)</td>
<td>Direct Contracting</td>
</tr>
</tbody>
</table>

The following requirements shall apply to National Competitive Bidding:

(A) The tender submission date shall be set so as to allow a period of at least thirty (30) days from the later of (i) the date of advertisement, and (ii) the date of availability of the tender documents.

(B) Recipient-owned enterprises shall be allowed to participate in the tendering only if they can establish that they are legally and financially autonomous and operate under commercial law and are independent agencies of the Recipient's government.

(C) 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.

(D) 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.

(E) Evaluation of tenders shall be based on quantifiable criteria expressed in monetary terms as defined in the tender documents, and not on a merit points system.

(F) 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.
Notification of contract award shall constitute formation of the contract. No negotiation shall be carried out prior to contract award.

The two envelope bid opening procedure shall not apply.

Shopping

Shopping procedure will apply for each low value contract in lieu of Direct Procurement.

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 methods, other than Quality and Cost-based Selection, may be used for procurement of consultants’ services for those contracts which are specified in the Procurement Plan.

<table>
<thead>
<tr>
<th>Procurement Method</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a) Quality-based Selection</td>
</tr>
<tr>
<td>(b) Selection under a Fixed Budget</td>
</tr>
<tr>
<td>(c) Selection Based on Consultants’ Qualifications</td>
</tr>
<tr>
<td>(d) Least Cost Selection</td>
</tr>
<tr>
<td>(e) Single-Source Selection of consulting firms</td>
</tr>
<tr>
<td>(f) Procedures set forth in paragraphs 5.2 and 5.3 of the Consultant Guidelines for the Selection of Individual Consultants</td>
</tr>
<tr>
<td>(g) Sole Source Procedures for the Selection of Individual Consultants</td>
</tr>
</tbody>
</table>

3. **Shortlist including only national consultants.** Contracts for which shortlists may consist exclusively of local consultants pursuant to the provisions of Paragraph 2.7 of the Consultants Guidelines shall be determined in the Procurement Plan on the basis of their nature and availability of firms.

---

Low value means any value below Kenya Shillings thirty thousand (KES 30,000) in accordance with the recipient’s Public Procurement and Disposal Regulations of 2006.
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.

Article III
Withdrawal of Grant Proceeds

3.01. Eligible Expenditures. The Recipient may withdraw the proceeds of the Grant in accordance with the provisions of: (a) Article III of the Standard Conditions; (b) this Section; and (c) such additional instructions as the World Bank may specify by notice to the Recipient including the “World Bank Disbursement Guidelines for Projects” dated May 2006, as revised from time to time by the World Bank and as made applicable to this Agreement pursuant to such instructions), to finance 100% of Eligible Expenditures consisting of goods, services and Operating Costs inclusive of Taxes.

The table specifies the categories of Eligible Expenditures that may be financed out of the proceeds of the Grant (“Category”), the allocations of the amounts of the Grant to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category:

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Grant Allocated expressed in USD</th>
<th>Percentage of Expenditures to be Financed inclusive of Taxes</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Goods, consultants' services, and Operating Costs</td>
<td>392,000.00</td>
<td>100%</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>392,000.00</td>
<td></td>
</tr>
</tbody>
</table>

3.02. Withdrawal Conditions. Notwithstanding the provisions of Section 3.01 of this Agreement, no withdrawal shall be made for payments made prior to the date of countersignature of this Agreement by the Recipient

3.03. Withdrawal Period. The Closing Date referred to in Section 3.06 (c) of the Standard Conditions is December 31, 2012.
Article IV
Recipient’s Representative; Addresses

4.01. **Recipient’s Representative.** The Recipient’s Representative referred to in Section 7.02 of the Standard Conditions is its Minister responsible for Finance.

4.02. **Recipient’s Address.** The Recipient’s Address referred to in Section 7.01 of the Standard Conditions is:

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

Cable address: FINANCENairobi
Telex: 22921 minfin-ke
Facsimile: 254 20 330426
                                                254 20 218475

4.03. **World Bank’s Address.** The World Bank’s Address referred to in Section 7.01 of the Standard Conditions is:

International Development Association
1818 H Street, N.W.
Washington, D.C. 20433
United States of America

Cable: INDEVAS
Telex: 248423 (MCI) or 64145 (MCI)
Facsimile: 1-202-477-6391