Financing Agreement
(Second Inclusive Growth and Fiscal Management Development Policy Financing)

between

REPUBLIC OF KENYA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION
FINANCING AGREEMENT

AGREEMENT dated as of the Signature Date between REPUBLIC OF KENYA ("Recipient") and INTERNATIONAL DEVELOPMENT ASSOCIATION ("Association") for the purpose of providing financing in support of the Program (as defined in the Appendix to this Agreement). The Association has decided to provide this financing on the basis, inter alia, of: (i) the actions which the Recipient has already taken under the Program and which are described in Section I of Schedule 1 to this Agreement; and (ii) the Recipient's maintenance of an adequate macroeconomic policy framework. The Recipient and the Association therefore hereby agree as follows:

ARTICLE I — GENERAL CONDITIONS; DEFINITIONS

1.01. The General Conditions (as defined in the Appendix to this Agreement) apply to and form 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 a credit, which is deemed as Concessional Financing for purposes of the General Conditions, in the amount of seven hundred and fifty million Dollars (USD 750,000,000) (variously, "Credit" and "Financing.")

2.02. The Maximum Commitment Charge Rate is one-half of one percent (1/2 of 1%) per annum on the Unwithdrawn Financing Balance.

2.03. The Service Charge is the greater of: (a) the sum of three-fourths of one percent (3/4 of 1%) per annum plus the Basis Adjustment to the Service Charge; or (b) three-fourths of one percent (3/4 of 1%) per annum; on the Withdrawn Credit Balance.

2.04. The Interest Charge is the greater of: (a) the sum of one and a quarter percent (1.25%) per annum plus the Basis Adjustment to the Interest Charge; and (b) zero percent (0%) per annum; on the Withdrawn Credit Balance.

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 2 to this Agreement.
2.07. The Payment Currency is Dollars.

2.08. Without limitation upon the provisions of Section 5.05 of the General Conditions, the Recipient shall promptly furnish to the Association such information relating to the provisions of this Article II as the Association may, from time to time, reasonably request.

**ARTICLE III — PROGRAM**

3.01. The Recipient declares its commitment to the Program and its implementation. To this end, and further to Section 5.05 of the General Conditions:

(a) the Recipient and the Association shall from time to time, at the request of either party, exchange views on the Recipient's macroeconomic policy framework and the progress achieved in carrying out the Program;

(b) prior to each such exchange of views, the Recipient shall furnish to the Association for its review and comment a report on the progress achieved in carrying out the Program, in such detail as the Association shall reasonably request; and

(c) without limitation upon the provisions of paragraphs (a) and (b) of this Section, the Recipient shall promptly inform the Association of any situation that would have the effect of materially reversing the objectives of the Program or any action taken under the Program including any action specified in Section I of Schedule I to this Agreement.

**ARTICLE IV — REMEDIES OF THE ASSOCIATION**

4.01. The Additional Events of Suspension consists of the following namely that, a situation has arisen which shall make it improbable that the Program, or a significant part of it, will be carried out.

4.02. The Additional Event of Acceleration consists of the following, namely that the 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 Bank to the Recipient.

**ARTICLE V — EFFECTIVENESS; TERMINATION**

5.01. The Additional Conditions of Effectiveness consist of the following:

(a) that the Association is satisfied with the progress achieved by the Recipient in carrying out the Program and with the adequacy of the Recipient's macroeconomic policy framework;
The Loan 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 Effectiveness Deadline is the date ninety (90) days after the Signature Date.

5.03 For purposes of Section 10.05 (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 (20) years after the Signature Date.

ARTICLE VI — REPRESENTATIVE; ADDRESSES

6.01. The Recipient’s Representative is the Cabinet Secretary for the National Treasury.

6.02. For purposes of Section 11.01 of the General Conditions:

(a) the Recipient’s address is:

The National Treasury
Treasury Building
P.O Box 30007-00100
Nairobi, Kenya; and

(b) the Recipient’s Electronic Address is:

Facsimile: 254 20 330426; 254 20 218475

6.03. For purposes of Section 11.01 of the General Conditions:

(a) The Association’s address is:

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

(b) the Association’s Electronic Address is:

Telex: Facsimile:

248423 (MCI) 1-202-477-6391
AGREED as of the Signature Date.

REPUBLIC OF KENYA

By

[Signature]

Authorized Representative

Name: [Signature]

Title: [Signature]

Date: [Signature]

INTERNATIONAL DEVELOPMENT ASSOCIATION

By

[Signature]

Authorized Representative

Name: [Signature]

Title: [Signature]

Date: [Signature]
SCHEDULE 1

Program Actions; Availability of Financing Proceeds

Section I. Actions under the Program

Actions Taken Under the Program. The actions taken by the Recipient under the Program include the following:

A. Crowd in the Private Sector for the Delivery of Affordable Housing

1. The Recipient has: (a) enacted through its Parliament the Physical and Land Use Planning Act, which, *inter alia*, allows for changes to restrictive zoning laws that hold back the construction of multi-story buildings in high density areas (b) through the president, assented to the, Business Laws Amendment Bill, which amends the National Construction Authority Act which, *inter alia*, makes provision for an up to date building code, allowing the use of a wider range of construction materials and technology, hence enabling the delivery of less expensive code-compliant housing units.

B. Enhance Farmers Income and Food Security

2. The Recipient has through its Cabinet approved the policy for the roll out of the e-voucher subsidy program consistent with the Agricultural Sector Growth and Transformation Strategy issued by the Ministry of Agriculture, Livestock and Fisheries.

3. The Recipient has through its Cabinet approved a policy to commit purchases for the strategic grain reserve function of the NCPB through the Warehouse Receipt System consistent with the Agricultural Sector Growth and Transformation Strategy issued by the Ministry of Agriculture, Livestock and Fisheries.

4. The Recipient through the Cabinet Secretary for finance, has approved the Capital Markets (Commodity Markets) Regulations that provides a framework for the commodities exchange market.

C. Create Fiscal Space to Support the Government’s Inclusive Growth Agenda

5. The Recipient has through its Cabinet approved for submission to Parliament, the Income Tax Bill 2019, which streamlines tax exemptions by reducing the number of exemptions offered.

6. The Recipient has (a) published in a publicly available online portal details of contracts and tenders; including tender documents; details on companies that were awarded the tender; and the names of the directors of the company; (b) through its Cabinet approved the Public Procurement and Asset Disposal Regulations which will allow for revision
of standard bidding documents to provide greater details on bidders to enhance transparency; and (c) through its Parliament enacted the Competition Amendment Act that include specific penalties on collusive behavior in public procurement.

7. The Recipient has (a) through its Cabinet approved the Debt and Borrowing Policy; and (b) through its Central Bank launched the Treasury Mobile Direct System which allows institutional and retail investors to participate through an electronic platform in the issuance of government securities to enhance transparency and efficiency.

D. Crowd in Private Investment and Leverage Digitization to Support the Government’s Inclusive Growth Agenda

8. The Recipient has, through its Parliament repealed section 33B of the Banking Act, removing the cap on interest rates on bank lending.

9. The Recipient (a) has through its Cabinet approved the Kenya Investment Policy, which simplifies the process of investor entry and retention; (b) has through the Ministry of Industry approved the Special Economic Zones (Amendment) Regulations, implementing the Special Economic Zones Act; (c) has enacted through its Parliament amendments to the Companies Act, requiring companies to keep a register of beneficial owners.

Section II. Availability of Financing Proceeds

A. General. The Recipient may withdraw the proceeds of the Financing in accordance with the provisions of this Section and such additional instructions as the Association may specify by notice to the Recipient.

B. Allocation of Financing Amounts. The Financing is allocated in a single withdrawal tranche, from which the Recipient may make withdrawals of the Financing proceeds. The allocation of the amounts of the Financing to this end is set out in the table below:

<table>
<thead>
<tr>
<th>Allocations</th>
<th>Amount of the Financing Allocated (expressed in USD)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Single Withdrawal Tranche</td>
<td>750,000,000</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>750,000,000</td>
</tr>
</tbody>
</table>

C. Withdrawal Tranche Release Conditions.

No withdrawal shall be made of the Single Withdrawal Tranche unless the Association is satisfied: (i) with the Program being carried out by the Recipient; and (ii) with the adequacy of the Recipient’s macroeconomic policy framework.
D. Deposit of Financing Amounts.

1. Notwithstanding the provisions of Section 2.03 of the General Conditions:
   
   (a) the Recipient shall open, prior to furnishing to the Association the first request for withdrawal from the Financing Account, and thereafter maintain the following two dedicated accounts on terms and conditions satisfactory to the Association: (i) a dedicated account in Dollars ("Foreign Currency Dedicated Account"); and (ii) a dedicated account in Kenya Shillings ("Local Currency Dedicated Account"); and

   (b) all withdrawals from the Financing Account shall be deposited by the Association into the Foreign Currency Dedicated Account. Upon each deposit of an amount of the Financing into the Foreign Currency Dedicated Account, the Recipient shall deposit an equivalent amount into the Local Currency Dedicated Account.

2. The Recipient, within thirty (30) days after the withdrawal of the Financing from the Financing Account, shall report to the Association: (a) the exact sum received into the Foreign Currency Dedicated Account; (b) the details of the account to which the Kenya Shillings equivalent of the Financing proceeds will be credited; (c) the record that an equivalent amount has been accounted for in the Recipient’s budget management systems; and (d) the statement of receipts and disbursement of the Foreign Currency Dedicated Account.

E. Audit.

Upon the Association’s request, the Recipient shall:

1. have the Dedicated Accounts audited by independent auditors acceptable to the Association, in accordance with consistently applied auditing standards acceptable to the Association;

2. furnish to the Association as soon as available, but in any case not later than four (4) months after the date of the Association’s request for such audit, a certified copy of the report of such audit, of such scope and in such detail as the Association shall reasonably request, and make such report publicly available in a timely fashion and in a manner acceptable to the Association; and

3. furnish to the Association such other information concerning the Dedicated Accounts and their audit as the Association shall reasonably request.

F. Closing Date. The Closing Date is June 30, 2021.
**SCHEDULE 2**

**Repayment Schedule**

<table>
<thead>
<tr>
<th>Date Payment Due</th>
<th>Principal Amount of the Credit repayable (expressed as a percentage)*</th>
</tr>
</thead>
<tbody>
<tr>
<td>On each May 15 and November 15:</td>
<td>1.65%</td>
</tr>
<tr>
<td>commencing November 15(^{th}), 2025 to and including May 15(^{th}), 2045</td>
<td></td>
</tr>
<tr>
<td>commencing November 15(^{th}), 2045 to and including May 15(^{th}), 2050</td>
<td>3.40%</td>
</tr>
</tbody>
</table>

* 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 3.05 (b) of the General Conditions.
APPENDIX

Definitions

1. “Agricultural Sector Growth and Transformation Strategy” means the Recipient’s ten-year (2019-2029) nationwide sectoral document aiming at developing and transforming the agricultural sector in order to realize the right of every person to be free from hunger, and to have adequate food of acceptable quality, provided in article 43 of the Constitution of Kenya 2010.


4. “Basis Adjustment to the Interest Charge” means the Association’s standard basis adjustment to the Interest Charge for credits in the currency of denomination of the Credit, in effect at 12:01 a.m. Washington, D.C. time, on the date on which the Credit is approved by the Executive Directors of the Association, and expressed either as a positive or negative percentage per annum.

5. “Basis Adjustment to the Service Charge” means the Association’s standard basis adjustment to the Service Charge for credits in the currency of denomination of the Credit, in effect at 12:01 a.m. Washington, D.C. time, on the date on which the Credit is approved by the Executive Directors of the Association, and expressed either as a positive or negative percentage per annum.

6. “Cabinet” means the Recipient’s Cabinet as defined in Article 152 of the Recipient’s constitution.


8. “CBK” or “Central Bank of Kenya” means the Recipient’s central bank; or any successor thereto.


11. “Debt and Borrowing Policy” means the Recipient’s Debt and Borrowing Policy published in accordance with section 12(1) (b) of the Public Finance Management Act, 2012.

13. “Foreign Currency Dedicated Account” means the account referred to in Part D.1(a) of Section II of Schedule I to this Agreement.


16. “Kenya Investment Policy” means a policy that provides direction to all investors as well as provides investor aftercare of 2019.

17. “Kenya Shillings” means the Recipient’s local currency.

18. “Loan Agreement” means the agreement between the Recipient and the Bank in support of the Program, of the same date as this Agreement, as such agreement may be amended from time to time. “Loan Agreement” includes all appendices, schedules and agreements supplemental to the Loan Agreement.

19. “Local Currency Dedicated Account” means the account referred to in Part D.1(b) of Section II of Schedule I to this Agreement.

20. “MOALFC” or “Ministry of Agriculture, Livestock, Fisheries and Cooperatives” means the Recipient’s ministry in charge of agriculture, livestock, fisheries and cooperatives; or any successor thereto.


23. “NCPB” means National Cereals and Produce Board established pursuant to the National Cereal and Produce Board Act.


26. “Program” means: the program of objectives, policies, and actions set forth or referred to in the letter dated March 23, 2020 from the Recipient to the Association declaring the Recipient’s commitment to the execution of the Program, and
requesting assistance from the Association in support of the Program during its execution and comprising actions taken, including those set forth in Section I of Schedule I to this Agreement, and actions to be taken consistent with the program’s objectives.

27. “Public Procurement and Assets Disposal Regulations” means the Recipient’s public procurement and assets disposal regulations issued pursuant to the Public Procurement and Asset Disposal Act, 2015.

28. “Signature Date” means the later of the two dates on which the Recipient and the Association signed this Agreement and such definition applies to all references to “the date of the Financing Agreement” in the General Conditions.

29. “Single Withdrawal Tranche” means the amount of the Financing allocated to the category entitled “Single Withdrawal Tranche” in the table set forth in Part B of Section II of Schedule I to this Agreement.


32. “Treasury Mobile Direct System” means an online system enabling the public to trade in government securities.

33. “Warehouse Receipt System” means part or the whole of the process of depositing commodities in a licensed warehouse, the issuance of a warehouse receipt reflecting the quantity and quality of the deposited commodity, the management of the transfer of the receipt as a document of title and includes, but is not limited to, the regulation of warehouse and actors associated in the process.