

August 27, 2009

Hon. Uhuru Kenyatta, M.P.
Deputy Prime Minister and Minister for Finance
Office of Deputy Prime Minister and Ministry of Finance
Treasury Building
Nairobi, Kenya

Dear Hon. Kenyatta:

***Re: Grant Agreement for the Preparation of the Readiness Plan
Readiness Fund of the FCPF
Grant No. TF094485***

I wish to refer to Resolution PC2008-2 of the Participants Committee of the Forest Carbon Partnership Facility (FCPF) regarding Selection of REDD Country Participants (Resolution PC2008-2). REDD refers to reducing emissions from deforestation and forest degradation. Resolution PC2008-2 provides that subject to the availability of funding, a REDD Country Participant may receive the grants up to three million six hundred thousand United States Dollars (US\$3,600,000) ("Total Allocation") for preparing and implementing a Readiness Plan as defined in the Charter Establishing the FCPF.

Resolution PC2008-3 of the Participants Committee regarding Grant Allocation for REDD Country Participants (Resolution PC2008-3) further provides that the Total Allocation may be made available in two or three installments, with the first installment in the amount of US\$200,000 (First Installment) available to the Eligible REDD Country upon its selection as a Participant in the FCPF, and, subject to availability of funds in the Readiness Fund and decisions by the Participants Committee and the Trustee, the balance of the Total Allocation available once the REDD Country Participant has met the terms and conditions set forth in attachment II to Resolution PC2008-3.

The Republic of Kenya ("Recipient") was selected as a REDD Country Participant and wishes to receive the First Installment of the Total Allocation to prepare its Readiness Plan. In response to the request for financial assistance made on behalf of the Recipient, I am pleased to inform you that the International Bank for Reconstruction and Development ("World Bank"), acting as Trustee of the Readiness Fund of the Forest Carbon Partnership Facility, agrees to extend to the Recipient a grant in an amount not to exceed two hundred thousand United States Dollars (US\$200,000) ("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").

The Trustee may enter into one or more than one supplementary agreement to this grant agreement with the Recipient for the purpose of extending the balance of the Total Allocation referred to in Resolution PC2008-3.

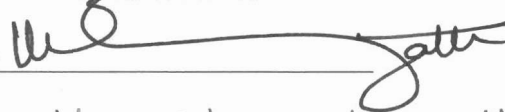
The Recipient represents, by confirming its agreement below, that it is authorized to enter into this Agreement and to carry out the Project in accordance with the terms and conditions set forth or referred to in this Agreement.

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 the countersignature.

Very truly yours,
INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
Acting as Trustee of the Readiness Fund of the Forest Carbon Partnership Facility

By 
Johannes Zutt
Country Director for Kenya
Africa Region

AGREED:
REPUBLIC OF KENYA

By 

Name Hon. Uhuru Kenyatta

Title Deputy Prime Minister & Minister for Finance

Date: _____

Enclosures:

(1) Standard Conditions for Grants Made by the World Bank Out of Various Funds, dated July 1, 2008

(2) Disbursement Letter dated August 27, 2009, together with World Bank Disbursement Guidelines for Projects, dated May 1, 2006.

FCPF Readiness Fund Grant No. TF094485
ANNEX

Article I
Standard Conditions; Definitions

1.01. **Standard Conditions.** (a) The Standard Conditions for Grants Made by the World Bank Out of Various Funds dated July 1, 2008 ("Standard Conditions"), with the modification set forth in paragraph (b) below, constitute an integral part of this Agreement.

(b) The following term shall be inserted as paragraph 6 (bis) in the Appendix to the Standard Conditions:

"6bis. "Charter" means the Charter Establishing the Forest Carbon Partnership Facility, as may be amended from time to time;"

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, in the Charter, or in this Agreement.

Article II
Project Execution

2.01. **Project Objectives and Description.** The objective of the Project is to assist the Recipient to develop a Readiness Plan, on the basis of the Readiness Plan Idea Note following the FCPF template for the Readiness Plan. The Project consists of the following parts:

(a) Preparation of an assessment of land use and forest policies and governance in the forestry sector.

(b) Setting up of a multi-stakeholder national REDD working group responsible for following up on REDD activities.

(c) Preparation of a consultation and outreach plan to be implemented during the implementation phase of the Readiness Plan, including conduct of consultations among key stakeholders.

(d) Preparation of terms of reference for the development of the national REDD strategy.

(e) Preparation of terms of reference for the design of a national REDD implementation framework.

(f) Preparation of a social and environmental analysis methodology and terms of reference for carrying out the analysis.

(g) Assessment of the investment and capacity building needs for the implementation of the national REDD strategy.

(h) Preparation of terms of reference for the development of the reference scenario for emissions from deforestation and forest degradation.

(i) Preparation of terms of reference for establishing the monitoring, reporting and verification system for changes in forest cover and changes in carbon stocks at the national level.

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 Kenya Forest Service (KFS), 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 (c) this Article II.

2.03. ***Project Report and Completion Report.*** The Recipient shall prepare the Project Report and Completion Report in accordance with the provisions of Section 2.06 of the Standard Conditions and on the basis of performance indicators agreed with the World Bank. The 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 Completion Report shall be furnished to the World Bank not later than six months after the Closing Date.

2.04. ***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 not later than one month 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 entire period during which withdrawals from the Grant Account were made. 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.

2.05. ***Procurement***

(a) **General.** All goods and 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 (excluding paragraph 1.16) of the “Guidelines: Procurement under IBRD Loans and IDA Credits” published by the World Bank in May 2004 as revised in October 2006 (“Procurement Guidelines”), in the case of goods; and

(ii) Sections I (excluding paragraph 1.24) and IV of the “Guidelines: Selection and Employment of Consultants by World Bank Borrowers” published by the World Bank in May 2004 as revised in October 2006 (“Consultant Guidelines”), in the case of consultants’ services.

(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 the Procurement Guidelines, or the Consultant Guidelines, as the case may be.

(c) **Particular Methods of Procurement of Goods:** Except as the World Bank may otherwise agree, goods shall be procured under contracts awarded on the basis of Shopping.

(d) Particular Methods of Procurement of Consultants' Services

(i) Except as otherwise provided in item (ii) below, consultants' services shall be procured under contracts awarded on the basis of Quality- and Cost-based Selection.

(ii) The following methods may be used for the procurement of consultants' services for those assignments which the World Bank agrees meet the requirements set forth in the Consultant Guidelines for their use: (A) Selection Based on the Consultants' Qualifications; (B) Selection of Individual Consultants; and (C) Sole Source Procedures for the Selection of Individual Consultants, subject to prior approval of the Bank.

(e) Review by the World Bank of Procurement Decisions. Except as the World Bank shall otherwise specify by notice to the Recipient, each contract for consultants' services provided by a firm estimated to cost the equivalent of US\$50,000 or more shall be subject to Prior Review by the World Bank. All other contracts shall be subject to Post Review by the World Bank.

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 Eligible Expenditures as set forth in the following table. 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:

Category	Amount of the Grant Allocated (expressed in USD)	Percentage of Expenditures to be Financed
(1) Consultants' Services	120,000	100%
(2) Workshops and Training	30,000	100%
(3) Goods	20,000	100%
(4) Operating Costs	30,000	100%
TOTAL AMOUNT	200,000	100%

For the purpose of Section 3.01, (i) the term "Training and Workshops" means the costs associated with training and workshop participation of personnel involved in the implementation of the Project including travel and subsistence costs for training and workshop participants, costs associated with securing the services of trainers and workshop speakers, rental of training and workshop facilities, preparation and reproduction of training and workshop materials, and other costs directly related to training courses and workshop preparation and implementation; and (ii) the term "Operating Costs" means the operating

costs incurred on account of the implementation of the Project including office supplies and consumables, utilities, communications, mass media and printing services, vehicle rental, operation and maintenance, charges for the opening and operation of bank accounts required for the Project, and travel, lodging and per diems, but excluding salaries of officials of the Recipient's civil service.

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 June 30, 2010.

Article IV Additional Remedies

4.01 ***Additional Event of Suspension.*** The Additional Event of Suspension referred to in Section 4.02 (k) of the Standard Conditions consists of the Default in Implementation set forth in Section 6.5 (a) (i) of the Charter.

Article V Recipient's Representative; Addresses

5.01. ***Recipient's Representative.*** The Recipient's Representative referred to in Section 7.02 of the Standard Conditions is the Deputy Prime Minister and Minister of Finance

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

Deputy Prime Minister and Minister of Finance
Ministry of Finance
Nairobi
Republic of Kenya

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

International Bank for Reconstruction and Development
1818 H Street, N.W.
Washington, D.C. 20433
United States of America

Cable:	Telex:	Facsimile:
INTBAFRAD	248423 (MCI) or	1-202-477-6391
Washington, D.C.	64145 (MCI)	