

CR. 5410-KE  
CR-4926-KE

**The World Bank**  
INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT  
INTERNATIONAL DEVELOPMENT ASSOCIATION

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March 31, 2014

Cabinet Secretary of The National Treasury  
The National Treasury  
P.O. Box 30007, Treasury Building  
Harambee Avenue  
Nairobi, Kenya

Dear Honorable Cabinet Secretary:

**Re: IDA Financing 4926-KE and 5410-KE  
Kenya Transport Sector Support Project  
(Amending and Restating Financing Agreement)  
Additional Instructions: Disbursement**

I refer to the Financing Agreement between the International Development Association (the "Association") and the Republic of Kenya (the "Recipient") for the above-referenced project, of even date herewith. The Agreement provides that the Association may issue additional instructions regarding the withdrawal of the proceeds of financing 4926-KE and 5410-KE ("Financing"). This letter ("Disbursement Letter"), as revised from time to time, constitutes the additional instructions.

The attached *World Bank Disbursement Guidelines for Projects*, dated May 1, 2006, ("Disbursement Guidelines") (Attachment 1), are an integral part of the Disbursement Letter. The manner in which the provisions in the Disbursement Guidelines apply to the Financing is specified below. Sections and subsections in parentheses below refer to the relevant sections and subsections in the Disbursement Guidelines and, unless otherwise defined in this letter, the capitalized terms used have the meanings ascribed to them in the Disbursement Guidelines.

**I. Disbursement Arrangements**

**(i) Disbursement Methods (section 2).** The following Disbursement Methods may be used under the Financing:

- Reimbursement
- Advance
- Direct Payment
- Special Commitment

**(ii) Disbursement Deadline Date (subsection 3.7).** The Disbursement Deadline Date is 4 months after the Closing Date specified in the Financing Agreement. Any changes to this date will be notified by the Association.

**(iii) Disbursement Conditions (subsection 3.8).** Please refer to the Disbursement Condition(s) in the Financing Agreement.

## II. Withdrawal of Financing Proceeds

**(i) Authorized Signatures (subsection 3.1).** An authorized signatory letter in the Form attached (Attachment 2) should be furnished to the Association at the address indicated below providing the name(s) and specimen signature(s) of the official(s) authorized to sign Applications:

The World Bank  
Delta Center,  
Upper Hill, Menengai Road,  
Nairobi, Kenya Attention: Diarietou Gaye

**(ii) Applications (subsections 3.2 - 3.3).** Please provide completed and signed (a) applications for withdrawal, together with supporting documents, and (b) applications for special commitments, together with a copy of the commercial bank letter of credit, to the address indicated below:

The World Bank, Loan Department,  
Delta Center, 13<sup>th</sup> Floor,  
Upper Hill, Menengai Road,  
Nairobi, Kenya.  
Tel: 254 20 2936 000  
Attention: Loan Department

**(iii) Electronic Delivery (subsection 3.4).** The Association may permit the Recipient to electronically deliver to the Association Applications (with supporting documents) through the Association's Client Connection, web-based portal. The option to deliver Applications to the Association by electronic means may be effected if: (a) the Recipient has designated in writing, pursuant to the terms of subparagraph (i) of this Section, its officials who are authorized to sign and deliver Applications and to receive secure identification credentials ("SIDC") from the Association for the purpose of delivering such Applications by electronic means; and (b) all such officials designated by the Recipient have registered as users of Client Connection. If the Association agrees, the Association will provide the Recipient with SIDC for the designated officials. Following which, the designated officials may deliver Applications electronically by completing Form 2380, which is accessible through Client Connection (<https://clientconnection.worldbank.org>). The Recipient may continue to exercise the option of preparing and delivering Applications in paper form. The Association reserves the right and may, in its sole discretion, temporarily or permanently disallow the electronic delivery of Applications by the Recipient.

**(iv) Terms and Conditions of Use of SIDC to Process Applications.** By designating officials to use SIDC and by choosing to deliver the Applications electronically, the Recipient confirms through the authorized signatory letter its agreement to: (a) abide by the *Terms and Conditions of Use of Secure Identification Credentials in connection with Use of Electronic Means to Process Applications and Supporting Documentation* ("Terms and Conditions of Use of Secure Identification Credentials") provided in Attachment 3; and (b) to cause such official to abide by those terms and conditions.

**(v) Minimum Value of Applications (subsection 3.5).** The Minimum Value of Applications is different for each implementing agency and is set to be 20% of the ceiling amount as indicated below for each of the corresponding Designated Accounts.

**(vi) Advances (sections 5 and 6).**

- **Type of Designated Accounts (subsection 5.3):**  
Segregated Designated Accounts had been opened for each of the following implementing agencies already under IDA 4926:
  - Designated Account “A” KeNHA: for expenditures under component A of the project incurred at Kenya National Highways Authority (KeNHA)
  - Designated Account “B” MoTI: For expenditures under component B of the project incurred at Ministry of Transport and Infrastructure (MoTI). This account has been opened under the previous Ministry of Roads (MOR) and is to be now managed under the new MoTI.
  - Designated Account “C” MOT: This account is to be *closed* and all outstanding balances refunded to the Association and documentation for eligible expenditures submitted
  - Designated Account “D” KAA: for expenditures under component C of the project incurred at Kenya Airports Authority (KAA)
  - Designated Account “E” KCAA: for expenditures under component D of the project incurred at Kenya Civil Aviation Authority (KCAA)
- **Currency of Designated Accounts (subsection 5.4):** US Dollars
- **Financial Institution at which the Designated Accounts Will Be Opened (subsection 5.5):** I and M Bank LTD, Nairobi
- **Ceiling (subsection 6.1):**  
Designated Account A (KeNHA) USD 5.0 million  
Designated Account B (MoTI) USD 1.0 million  
Designated Account D (KAA) USD 1.0 million  
Designated Account E (KCAA) USD 1.5 million

**III. Reporting on Use of Financing Proceeds**

**(i) Supporting Documentation (section 4).** Supporting documentation should be provided with each application for withdrawal as set out below:

- **For requests for Reimbursement and For reporting eligible expenditures paid from the Designated Account:**
  - Records evidencing eligible expenditures (e.g., copies of receipts, supplier invoices and documentary evidence of delivery and the Recipient’s acceptance of contracted goods or services) for payments against contracts valued more than USD 200,000 or equivalent for goods, works, or consulting firms; USD 50,000 or equivalent for individual consultants, training and operating costs;
  - List of payments against contracts that are subject to the Association’s prior review, in the form attached (Attachment 5)

- Statement of Expenditure in the form attached (Attachment 4) for all other expenditures and contracts; and
- Supplementary Financial Information in the form attached (Attachment 6) for all expenditures paid through project bank accounts.
- ***For requests for Direct Payment and Special Commitment:*** records evidencing eligible expenditures, e.g., copies of receipts, supplier invoices

***(ii) Frequency of Reporting Eligible Expenditures Paid from the Designated Account (subsection 6.3):***  
Monthly.

***(iii) Other Supporting Documentation Instructions***

- A reconciliation statement for each Designated Account, along with a copy of the bank statement of each Designated Accounts should be submitted every month with each Application for Advance, in the format Attachment 7.
- Separate Withdrawal Applications should be prepared for documenting eligible expenditures incurred and paid at each implementing agency, viz., KeNHA, MoTI, KAA and KCAA.

**IV. Other Disbursement Instructions**

- Funds may be transferred on a monthly basis from the Designated Accounts managed by The National Treasury to existing project bank accounts maintained in Kenya Shillings at each implementing agency viz., KeNHA, MoTI, KAA and KCAA, such that balances at each project bank account are adequate for a maximum of 3 months' forecast of eligible expenditures. Actual balances in these project bank accounts at the end of each calendar quarter should be reported in the Designated Account Reconciliation Statement (Attachment 7) and actual expenses arising from these accounts should be included in the Interim Financial Report (Attachment 4) and Supplementary Financial Information in the form attached (Attachment 6). Funds remaining unspent in these project bank accounts at the closing date of the project should be refunded to the Designated Account before the disbursement deadline date.
- Should the Designated Account ceilings as agreed per Section II (vi) prove to be insufficient for the cash requirement of a specific implementing agency, a written communication to this extent should be submitted to the Association, requesting an appropriate increase to be considered and adjusted in this Disbursement letter through a revision.

**V. Other Important Information**


For additional information on disbursement arrangements, please refer to the Disbursement Handbook available on the Association's public website at <https://www.worldbank.org> and its secure website "Client Connection" at <https://clientconnection.worldbank.org>. Print copies are available upon request.

From the Client Connection website, you will be able to prepare and deliver Applications, monitor the near real-time status of the Financing, and retrieve related policy, financial, and procurement information.

If you have not already done so, the Association recommends that you register as a user of the Client Connection website (<https://clientconnection.worldbank.org>). From this website you will be able to prepare and deliver Applications, monitor the near real-time status of the Financing, and retrieve related policy, financial, and procurement information. All Recipient officials authorized to sign and deliver Applications by electronic means are required to register with Client Connection before electronic delivery can be effected. For more information about the website and registration arrangements, please contact the Association by email at <[clientconnection@worldbank.org](mailto:clientconnection@worldbank.org)>.

If you have any queries in relation to the above, please contact Wolfgang Chadab, Senior Finance Officer at [Loa-Afr@worldbank.org](mailto:Loa-Afr@worldbank.org) using the above reference.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Diarietou Gaye', with a stylized flourish at the end.

Diarietou Gaye  
Country Director for Kenya  
Africa Region

Attachments

1. *World Bank Disbursement Guidelines for Projects*, dated May 1, 2006
2. Form for Authorized Signatures
3. *Terms and Conditions of Use of Secure Identification Credentials in connection with Use of Electronic Means to Process Applications and Supporting Documentation*, dated March 1, 2013
4. Form of insert "Statement of Expenditures"
5. Form of Payments Against Contracts Subject to the Bank's Prior Review
6. Supplementary Financial Information on project bank accounts
7. Designated Account Reconciliation Statement

Cc with copies: Project Implementing Entity  
National Treasury  
Nairobi

Project Implementing Entity  
Kenya National Highways Authority (KeNHA)

Project Implementing Entity  
Ministry of Transport and Infrastructure (MoTI)

Project Implementing Entity  
Kenya Airports Authority (KAA)

Project Implementing Entity  
Kenya Civil Aviation Authority (KCAA)

Attachment 2

Form of Authorized Signatory Letter  
[Letterhead]  
The National Treasury  
[Street address]  
[City] [Country]

[DATE]

The World Bank  
1818 H Street, N.W.  
Washington, D.C. 20433  
United States of America

Attention: [Country Director]

**Re: IDA Financing 4926-KE and 5410-KE  
Kenya Transport Sector Support Project  
(Amending and Restating Financing Agreement)**

I refer to the Financing Agreement (“Agreement”) between the International Development Association (the “Association”) and [name of Recipient] (the “Recipient”), dated \_\_\_\_\_, providing the above Financing. For the purposes of Section 2.03 of the General Conditions as defined in the Agreement, any <sup>1</sup>[one] of the persons whose authenticated specimen signatures appear below is authorized on behalf of the Recipient to sign applications for withdrawal [and applications for a special commitment] under this Financing.

For the purpose of delivering Applications to the Association, <sup>2</sup>[each] of the persons whose authenticated specimen signatures appears below is authorized on behalf of the Recipient, acting <sup>3</sup>[individually] <sup>4</sup>[jointly], to deliver Applications, and evidence in support thereof on the terms and conditions specified by the Association.

<sup>5</sup>[This confirms that the Recipient is authorizing such persons to accept Secure Identification Credentials (SIDC) and to deliver the Applications and supporting documents to

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<sup>1</sup> Instruction to the Recipient: Stipulate if more than one person needs to sign Applications, and how many or which positions, and if any thresholds apply. *Please delete this footnote in final letter that is sent to the Association.*

<sup>2</sup> Instruction to the Recipient: Stipulate if more than one person needs to *jointly* sign Applications, if so, please indicate the actual number. *Please delete this footnote in final letter that is sent to the Association.*

<sup>3</sup> Instruction to the Recipient: Use this bracket if any one of the authorized persons may sign; if this is not applicable, please delete. *Please delete this footnote in final letter that is sent to the Association.*

<sup>4</sup> Instruction to the Recipient: Use this bracket only if several individuals must jointly sign each Application; if this is not applicable, please delete. *Please delete this footnote in final letter that is sent to the Association.*

<sup>5</sup> Instruction to the Recipient: Add this paragraph if the Recipient wishes to authorize the listed persons to accept Secure Identification Credentials and to deliver Applications by electronic means; if this is not applicable, please delete the paragraph. *Please delete this footnote in final letter that is sent to the Association.*

the Association by electronic means. In full recognition that the Association shall rely upon such representations and warranties, including without limitation, the representations and warranties contained in the *Terms and Conditions of Use of Secure Identification Credentials in connection with Use of Electronic Means to Process Applications and Supporting Documentation* ("Terms and Conditions of Use of SIDC"), the Recipient represents and warrants to the Association that it will cause such persons to abide by those terms and conditions.]

This Authorization replaces and supersedes any Authorization currently in the Association records with respect to this Agreement.

[Name], [position]            Specimen Signature: \_\_\_\_\_

[Name], [position]            Specimen Signature: \_\_\_\_\_

[Name], [position]            Specimen Signature: \_\_\_\_\_

Yours truly,

/ signed /

\_\_\_\_\_  
[Position]



**Terms and Conditions of Use of Secure Identification Credentials  
in connection with Use of Electronic Means  
to Process Applications  
and Supporting Documentation**

March 1, 2013

The World Bank (Bank)<sup>1</sup> will provide secure identification credentials (SIDC) to permit the Borrower<sup>2</sup> to deliver applications for withdrawal and applications for special commitments under the Agreement(s) and supporting documentation (such applications and supporting documentation together referred to in these Terms and Conditions of Use as Applications) to the Bank electronically, on the terms and conditions of use specified herein.

SIDC can be either: (a) hardware-based (Physical Token), or (b) software-based (Soft Token). The Bank reserves the right to determine which type of SIDC is most appropriate.

**A. Identification of Users**

1. The Borrower will be required to identify in a completed Authorized Signatory Letter (ASL) duly delivered to and received by the Bank each person who will be authorized to deliver Applications. The Bank will provide SIDC to each person identified in the ASL (Signatory), as provided below. The Borrower shall also immediately notify the Bank if a Signatory is no longer authorized by the Borrower to act as a Signatory.
2. Each Signatory must register as a user on the Bank's Client Connection (CC) website (<https://clientconnection.worldbank.org>) prior to receipt of his/her SIDC. Registration on CC will require that the Signatory establish a CC password (CC Password). The Signatory shall not reveal his/her CC Password to anyone or store or record the CC Password in written or other form. Upon registration as a CC user, the Signatory will be assigned a unique identifying account name.

**B. Initialization of SIDC**

1. Prior to initialization of SIDC by a Signatory, the Signatory will acknowledge having read, understood and agreed to be bound by these Terms and Conditions of Use.
2. Where a Physical Token is to be used, promptly upon receipt of the Physical Token, the Signatory will access CC using his/her account name and CC Password and register his/her Physical Token and set a personal identification number (PIN) to be used in

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<sup>1</sup> "Bank" includes IBRD and IDA.

<sup>2</sup> "Borrower" includes the borrower of an IBRD loan, IDA credit, or Project Preparation Facility advance and the recipient of a grant.

connection with the use of his/her Physical Token, after which the Physical Token will be initialized for use by the Signatory exclusively for purposes of delivering Applications. Where a Soft Token is to be used, the Signatory will access CC using his/her account name and CC Password and set a personal identification number (PIN) to be used in connection with the use of his/her Soft Token, after which the Soft Token will be initialized for use by the Signatory exclusively for purposes of delivering Applications. Upon initialization of the SIDC, the Signatory will be a "SIDC User". The Bank will maintain in its database a user account (Account) for each SIDC User for purposes of managing the SIDC of the SIDC User. Neither the Borrower nor the SIDC User will have any access to the Account.

3. Prior to first use of the SIDC by the SIDC User, the Borrower shall ensure that the SIDC User has received training materials provided by the Bank in use of the SIDC.

**C. Use of SIDC**

1. Use of the SIDC is strictly limited to use in the delivery of Applications by the SIDC User in the manner prescribed by the Bank in the Agreement(s) and these Terms and Conditions. Any other use of the SIDC is prohibited.
2. The Bank assumes no responsibility or liability whatsoever for any misuse of the SIDC by the SIDC User, other representatives of the Borrower, or third parties.
3. The Borrower undertakes to ensure, and represents and warrants to the Bank (such representation and warranty being expressly relied upon by the Bank in granting SIDC) that each SIDC User understands and will abide by, these Terms and Conditions of Use, including without limitation the following:

**4. *Security***

4.1. The SIDC User shall not reveal his/her PIN to anyone or store or record the PIN in written or other form.

4.2. The SIDC User shall not allow anyone else to utilize his/her SIDC to deliver an Application to the Bank.

4.3. The SIDC User shall always logout from CC when not using the system. Failure to logout properly can create a route into the system that is unprotected.

4.4. If the SIDC User believes a third party has learned his/her PIN or has lost his/her Physical Token he/she shall immediately notify [clientconnection@worldbank.org](mailto:clientconnection@worldbank.org).

4.5. The Borrower shall immediately notify the Bank at [clientconnection@worldbank.org](mailto:clientconnection@worldbank.org) of any lost, stolen or compromised SIDC, and take other reasonable steps to ensure such SIDC are disabled immediately.

5. ***Reservation of Right to Disable SIDC***

5.1. The Borrower shall reserve the right to revoke the authorization of a SIDC User to use a SIDC for any reason.

5.2. The Bank reserves the right, in its sole discretion, to temporarily or permanently disable a SIDC, de-activate a SIDC User's Account or both.

6. ***Care of Physical Tokens***

6.1. Physical Tokens will remain the property of the Bank.

6.2. The Bank will physically deliver a Physical Token to each Signatory designated to receive one in a manner to be determined by and satisfactory to the Bank.

6.3. Physical Tokens contain delicate and sophisticated instrumentation and therefore should be handled with due care, and should not be immersed in liquids, exposed to extreme temperatures, crushed or bent. Also, Physical Tokens should be kept more than five (5) cm from devices that generate electromagnetic radiation (EMR), such as mobile phones, phone-enabled PDAs, smart phones and other similar devices. Physical Tokens should be carried and stored separate from any EMR device. At close range (less than 5 cm), these devices can output high levels of EMR that can interfere with the proper operation of electronic equipment, including the Physical Token.

6.4. Without derogating from these Terms and Conditions of Use, other technical instructions on the proper use and care of Physical Tokens are available at <http://www.rsa.com>.

7. ***Replacement***

7.1. Lost, damaged, compromised (in terms of 4.5, above) or destroyed Physical Tokens will be replaced at the expense of the Borrower.

7.2. The Bank reserves the right, in its sole discretion, not to replace any Physical Token in the case of misuse, or not to reactivate a SIDC User's Account.

**STATEMENT OF EXPENDITURE**  
 Payments made during the period from \_\_\_\_\_ to \_\_\_\_\_  
 For expenditures against the contracts not subject to the Bank Prior Review  
Project Implementing Agency:

Date:  
 Financing  
 No:

SOE No.:

1	2	3	4	5	6	7	8	9	10	
Item No.	Category Name & No. (**)	Currency and Total Amount of Contract	Name of Contractor / Payee	Currency and Total Amount of Invoice	Amount financed by Other Sources	Amount covered by this Application (5-6)	Eligible % from Schedule 1 of Financing Agreement	Amount Eligible for Financing (7x 8)	Currency and Amount Paid from Designated Account or Project Account	Remarks
<b>TOTALS</b>										

Supporting documents for this SOE retained at \_\_\_\_\_(insert location)

(\*) A separate SOE form should be used for retroactive financing.  
 (\*\*) Items should be grouped by category; or alternatively, a separate SOE form may be used for each category  
 # For expenditures incurred at Selected Municipality and Water Service Board, please state reference and date of relevant agreement.

Attachment [5]

Payments made during the period from \_\_\_\_\_ to \_\_\_\_\_

Date:  
Application No.:  
Loan /  
Grant  
Ref. No.

Summary Sheet For expenditures against the contracts subject to the Bank Prior Review

1	2	3	4	5	6	7	8	9	10	11	12
Item No.	Category No. & Description (**)	Currency and Total Amount of Contract	Name of Contractor	Ref. No. of Contract	Date of NOL from World Bank	Invoice No. & date	Currency and Total Amount of Invoice Covered by Application	Eligible % from Schedule 1 of Financing Agreement	Amount Eligible for Financing (8 x 9)	Currency and Amount Paid from Designated Account or Project Account	Exchange Rate (Col. 11 divided by Col. 10)
<b>TOTALS</b>											

Remarks:

Authorized Signatory

(insert location)

Supporting documents for this Application retained at \_\_\_\_\_

(\*) A separate form should be used for retroactive financing. For expenditures incurred at Selected Municipality and Water Service Board, please state reference and date of relevant agreement.

Supplementary Financial Information

Kenya Transport Sector Support Project  
(IDA Credit xxxx xxxxxx)

Summary of Project Bank Accounts

Currency:

Period from ..... to .....

	Opening Balance	Amount Received from Designated Account	Expenditure accounted for / documented	Balance outstanding	Balance per bank statement	Diff., if any	Remarks
Kenya National Highways Authority Ministry of Transport Ministry of Roads Kenya Civil Aviation Authority Kenya Airports Authority							
Total							

Authorized Signatory .....

**Form of Designated Account Activity Statement**  
**Designated Account Activity Statement for the Reporting Period .....**

**Project Name: Kenya Transport Sector Support Project**  
**Project ID**  
**Bank and Account No.:**  
**Implementing Agency:**

	Amount	Amount
<b>Part I: Advances to be accounted (Cumulative)</b>		
1. Cumulative advances to end of current reporting period		
2. Cumulative expenditures to end of last reporting period		
3. Outstanding advances to be accounted (1-2)		
<b>Part II: Movements in Designated Account in current period</b>		
3. Opening DA balance at beginning of reporting period (as of ....)		
3.1. Designated Account		
3.2. Project Account		
3.3. Sub total		
5. Advances received from the World Bank during reporting period		
<u>Application No.</u> <u>Amount.</u>		
<b>Sub total (5)</b>		
6 a. Subtract: Recoveries of Advances, if any		
6 b. Add/Subtract: Other Cumulative adjustments, including interest earned, (if any)		
<b>Sub total (6)</b>		
<b>7. Net advances to be accounted for (4+5+6)</b>		
8. Closing DA balance at end of current reporting (as of ...)		
8.1 Designated Account		
8.2 Project Account		
8.5 Sub total		
9. Expenditures reported for current reporting period (Statement of Expenditure & Summary Sheet attached)		
<b>10. Total Advances Accounted for (8+9)</b>		
11. Applications submitted but not yet credited to DA		
12. Difference (if any) 7-10-11		

Approved by.....Date.....