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May 10, 2018

Honorable Henry Kiplagat Rotich
Cabinet Secretary of the National Treasury
The National Treasury
P.O.Box 30007
Treasury Building, Harambee Avenue
Nairobi, Kenya

**Re: Preparation Advance No. TF V1570-KE
Lake Victoria Environmental Management Project Phase Three (LVEMP 3)
Additional Instructions: Disbursement and Financial Information Letter.**

Honorable Minister:

I refer to the Advance Agreement between the Republic of Kenya ("Recipient") and the International Development Association ("World Bank"), for the preparation of the above-referenced Project. The General Conditions, as defined in the Advance Agreement, provide that the Recipient may from time to time request withdrawals of Advance amounts from the Advance Account in accordance with the Disbursement and Financial Information Letter, and such additional instructions as the World Bank may specify from time to time by notice to the Recipient. The General Conditions also provide that the Disbursement and Financial Information Letter may set out Project specific financial reporting requirements. This letter constitutes such Disbursement and Financial Information Letter ("DFIL"), and may be revised from time to time.

I. Disbursement Arrangements, Withdrawal of Advance Funds, and Reporting of Uses of Advance Funds.

The *Disbursement Guidelines for Investment Project Financing*, dated February 2017, ("Disbursement Guidelines") are available in the World Bank's public website at <https://www.worldbank.org> and its secure website "Client Connection" at <https://clientconnection.worldbank.org>. The Disbursement Guidelines are an integral part of the DFIL, and the manner in which the provisions in the guidelines apply to the Advance is specified below.

(i) Disbursement Arrangements

- **General Provisions** (Schedule 1). The table in Schedule 1 sets out the disbursement methods which may be used by the Recipient, information on registration of authorized signatures, processing of withdrawal applications (including minimum value of applications and processing of advances), instructions on supporting documentation, and frequency of reporting on the Designated Account.

(ii) Electronic Delivery. Section 11.01 (c) of the General Conditions.

The World Bank may permit the Recipient to electronically deliver applications (with supporting documents) through the World Bank's web-based portal (<https://clientconnection.worldbank.org>) "Client Connection". This option may be effected if the officials designated in writing by the Recipient who are authorized to sign and deliver Applications have registered as users of "Client Connection". The designated officials may deliver Applications electronically by completing the Form 2380, which is accessible through



“Client Connection”. By signing the Authorized Signatory Letter, the Recipient confirms that it is authorizing such persons to accept Secure Identification Credentials (SIDC) and to deliver the Applications and supporting documents to the World Bank by electronic means. The Recipient may continue to exercise the option of preparing and delivering Applications in paper form. The World Bank reserves the right and may, in its sole discretion, temporarily or permanently disallow the electronic delivery of Applications by the Recipient. 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, available in the World Bank’s public website at <https://worldbank.org> and “Client Connection”; and (b) to cause such official to abide by those terms and conditions.

II. Financial Reports and Audits.

(i) **Financial Reports.** The Recipient must prepare and furnish to the World Bank not later than forty-five (45) days after the end of each calendar quarter, interim unaudited financial reports (“IFR”) for the Project covering the quarter.

(ii) **Audits.** Each audit of the Financial Statements must cover the period of one fiscal year of the Recipient, commencing with the fiscal year in which the first withdrawal was made. The audited Financial Statements for each such period must be furnished to the World Bank not later than six 6 months after the end of such period.

III. Other Information.

For additional information on disbursement arrangements, please refer to the Loan Handbook available on the World Bank’s website (<http://www.worldbank.org/>) and “Client Connection”. The World Bank recommends that you register as a user of “Client Connection”. From this website you will be able to prepare and deliver Applications, monitor the near real-time status of the Advance, and retrieve related policy, financial, and procurement information. For more information about the website and registration arrangements, please contact the World Bank by email at clientconnection@worldbank.org.

If you have any queries in relation to the above, please contact Christiaan Nieuwoudt, Finance Officer at cnieuwoudt@worldbank.org, with copy to Juvenia Cohen, Finance Analyst at jcohen2@worldbank.org using the above reference.

Yours sincerely,

Trichur K. Balakrishnan
Acting Country Director for Kenya
Africa Region



Attachments

1. Statement of Expenditure (SOE)
2. Payments against contracts subject to the Bank's prior review
3. Designated Account Reconciliation Statement

With copies:

Dr. Kamau Thugge
Principal Secretary
National Treasury
Treasury Building
Nairobi

Mr. Jackson Kinyanjui
Ag. Director General, Public Debt Management Office and
Director Resource Mobilization Department
The National Treasury
Treasury Building, Harambee Avenue
Nairobi

Ms. Dorothy Kimeu
Director of Administration and Head,
World Bank Division and Policy Coordination Unit
The National Treasury
Treasury Building, Harambee Avenue
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Ms. Winnie Mwamilu
Senior Economist and Deputy Head
World Bank Division and Policy Coordinating Unit
The National Treasury
Treasury Building, Harambee Avenue
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Ms. Agnes Yobteri
Director
Programmes and Projects
Ministry of Environment, Natural Resources and Regional Development
Authorities
Nairobi

Ms. Francisca Owuor
Project Coordinator
LVEMP III
Kisumu, Kenya

Schedule 1 : Disbursement Provisions

Basic Information					
Credit Number	Country	Kenya		Closing Date	December 31, 2019
	Recipient	Republic of Kenya		Disbursement Deadline Date <i>Subsection 3.7 **</i>	Same as closing date
	Name of the Project				
Disbursement Methods and Supporting Documentation					
Disbursement Methods <i>Section 2 (**)</i>	Methods	Supporting Documentation <i>Subsections 4.3 and 4.4 (**)</i>			
Direct Payment	Yes	Copy of records			
Reimbursement	Yes	Statement of Expenditure (SOE)			
Designated Account	Yes	Statement of Expenditure (SOE), Payments against contracts subject to the Bank's Prior Review and the Designated Account Reconciliation Statement in the formats provided in Attachments 1, 2 and 3 of the DFIL			
Special Commitments	No	Copy of Letter of Credit			
Designated Account (Sections 5 and 6 **)					
Type	Segregated	Ceiling	Fixed		
Financial Institution - Name	Central Bank of Kenya	Currency	USD		
Frequency of Reporting <i>Subsection 6.3 (**)</i>	Monthly	Amount	200,000		
Minimum Value of Applications (subsection 3.5)					
The minimum value of applications for Reimbursement, Direct Payment is USD 40,000					
Authorized Signatures (<i>Subsection 3.1 and 3.2 **</i>) The form for Authorized Signatories Letter is provided in Attachment 1 of this letter <i>Withdrawal and Documentation Applications (Subsection 3.3 and 3.4 **)</i>					
Applications for this Loan will be signed by the official(s) authorized to sign Applications as indicated in your letter Ref. No. TYC/B/40/96 dated June 27, 2011.					
The World Bank, Delta Center 13 th Floor, Menengai Road, Upper Hill, Nairobi Kenya (Tel: +254 20 293 6000) <i>Notice that all information will be sent to the same address, and to the regional TL.</i>					
Additional [Information][Instructions]					
Other					

*** Sections and subsections relate to the "Disbursement Guidelines for Investment Project Financing", dated February 2017.*

Attachment 1 - Statement of Expenditures

STATEMENT OF EXPENDITURES

1	2	3	4	5	6	7	8	9	10	11	12	13
Item No.	Category No. *	Name of Supplier, Contractor or Consultant	Brief Description of Goods, Works or Services	Total Amount of Contract (Include all currencies)	Currency of Expenditure	Total invoice amount covered by this application (net of retention)	Eligible % of financing	Currency and eligible amount paid (7)x(8)	US\$ Equivalent paid from Special Account**	Date of Payment	Exchange Rate**	Remarks or Invoice references, including no-objection telex date
				TOTALS					\$			

**Payments Made during Reporting Period
Against Contracts Subject to the Bank's Prior Review**

Contract Number	Supplier	Contract Date	Contract Amount	Date of WB's No-Objection to Contract	Amount Paid to Supplier during Period	WB's Share of Amt Paid to Supplier during Period

DESIGNATED ACCOUNT RECONCILIATION STATEMENT

CREDIT NUMBER _____
 ACCOUNT NUMBER _____ WITH (BANK) _____

- 1. TOTAL ADVANCED BY WORLD BANK (OR COFINANCIER) \$ _____
- 2. LESS: TOTAL AMOUNT RECOVERED BY WORLD BANK - \$ _____
- 3. EQUALS PRESENT OUTSTANDING AMOUNT ADVANCED TO THE SPECIAL ACCOUNT (NUMBER 1 LESS NUMBER 2) = \$ _____

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- 4. BALANCE OF SPECIAL ACCOUNT PER ATTACHED BANK STATEMENT AS OF DATE _____ \$ _____
 - 5. PLUS: TOTAL AMOUNT CLAIMED IN THIS APPLICATION NO. _____ + \$ _____ *
 - 6. PLUS: TOTAL AMOUNT WITHDRAWN AND NOT YET CLAIMED REASON: _____ + \$ _____ *
 - 7. PLUS: AMOUNTS CLAIMED IN PREVIOUS APPLICATIONS NOT YET CREDITED AT DATE OF BANK STATEMENTS

<u>APPLICATION NO.</u>	<u>AMOUNT *</u>
_____	_____
_____	_____

- SUBTOTAL OF PREVIOUS APPLICATIONS NOT YET CREDITED + \$ _____
- 8. MINUS: INTEREST EARNED - \$ _____ *
- 9. TOTAL ADVANCE ACCOUNTED FOR (NO. 4 THROUGH NO. 9) = \$ _____

10. EXPLANATION OF ANY DIFFERENCE BETWEEN THE TOTALS APPEARING ON LINES 3 AND 9:

11. DATE: _____ SIGNATURE: _____
 TITLE: _____