

OFFICIAL DOCUMENTS

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The World Bank

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
INTERNATIONAL DEVELOPMENT ASSOCIATION

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JUNE 29, 2015

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 Credit Financing 5587-KE
(Electricity Modernization Project)
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 IDA 5587-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). Applications for this Financing will be signed by the official(s) authorized to sign Applications as indicated in your letter of August 25, 2014 signed by the Cabinet Secretary of the National Treasury, Mr. Henry Rotich.

(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, 13th 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 200,000 USD.

(vi) Advances (sections 5 and 6).

- **Type of Designated Account (subsection 5.3):** Segregated accounts:
 - Designated Account "DA-A" managed by KPLC for categories 1 and 5 of the Financing Agreement
 - Designated Account "DA-B" managed by KPLC for category 2 of the Financing Agreement
 - Designated Account "DA-C" managed by REA for categories 3(b) and 5 of the Financing Agreement

- Designated Account “DA-D” managed by MoEP for categories 4 and 5 of the Financing Agreement
- ***Currency of Designated Account (subsection 5.4):*** US Dollars
- ***Financial Institution at which the Designated Account Will Be Opened (subsection 5.5):*** Central Bank of Kenya (CBK)
- ***Ceiling (subsection 6.1):***
 - DA-A, DA-B and DA-C: forecast for 2 quarters as provided in the quarterly Interim Financial Reports and consistent with the Annual work Plan and Budget and acceptable to the Association.
 - DA-D: 500,000 USD

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:***
 - Statement of Expenditure in the form attached (Attachment 4) for all expenditures;
 - List of payments against contracts that are subject to the Association’s prior review, in the form attached (Attachment 5)
- ***For reporting eligible expenditures paid from the Designated Account’s DA-A, DA-B and DA-C:***
 - Interim Financial Report in the form attached (Attachment 7); and
 - List of payments against contracts that are subject to the Association’s prior review, in the form attached (Attachment 5)
- ***For reporting eligible expenditures paid from the Designated Account DA-D***
 - Statement of Expenditure in the form attached (Attachment 4) for all expenditures;
 - List of payments against contracts that are subject to the Association’s prior review, in the form attached (Attachment 5)
 - A reconciliation statement for each Designated Account, along with a copy of the bank statement of each Designated Account, in the format attached (Attachment 6).
- ***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): Quarterly

IV. Other Disbursement Instructions

Funds may be transferred on a regular basis from the Designated Accounts to transaction accounts to be maintained in Kenyan Shillings. For the MoEP such transaction account is to be opened at the CBK and for the KPLC and REA at a commercial bank acceptable to the Association.

V. Other Important Information

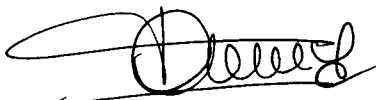
For additional information on disbursement arrangements, please refer to the Disbursement Handbook available on the Association's public website at <https://www.worldbank.org> and its secure website "Client Connection" at <https://clientconnection.worldbank.org>. Print copies are available upon request.

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>.

If you have any queries in relation to the above, please contact Christiaan Nieuwoudt, Finance Officer at Loa-Afr@worldbank.org using the above reference.

Yours sincerely,



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 for reference purposes in case the letter referred to under section II (i) above needs updating and/or replacement
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 Statement of Expenditure
5. Form of Payments Against Contracts Subject to the World Bank's Prior Review
6. Form of Designated Account Reconciliation Statement
7. Form of Interim Unaudited Financial Statements

Cc with copies: Project Implementing Entities

Attachment 2

Form of Authorized Signatory Letter
[Letterhead]
Ministry of Finance
[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 Credit Financing 5587-KE
(Electricity Modernization Project)**

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 ¹[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, ²[each] of the persons whose authenticated specimen signatures appears below is authorized on behalf of the Recipient, acting ³[individually] ⁴[jointly], to deliver Applications, and evidence in support thereof on the terms and conditions specified by the Association.

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

¹ 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.*

² 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.*

³ 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.*

⁴ 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.*

⁵ 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]

Attachment 3

**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)⁶ will provide secure identification credentials (SIDC) to permit the Borrower⁷ 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 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

⁶ "Bank" includes IBRD and IDA.

⁷ "Borrower" includes the borrower of an IBRD loan, IDA credit, or Project Preparation Facility advance and the recipient of a grant.

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.

4.5. The Borrower shall immediately notify the Bank at 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.

5.3.

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.

Attachment 4

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 Grant	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									\$			

Attachment 5

**PAYMENTS MADE DURING REPORTING PERIOD AGAINST CONTRACTS
SUBJECT TO THE WORLD BANK'S PRIOR REVIEW**

[illegible]

Attachment 6

Designated Account Reconciliation Statement

Credit No.:

Bank and Account No.:

Part I

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)

Part II

4. Opening DA balance at beginning of reporting period (per Bank statement attached, as of)
5. Add/Subtract: Cumulative adjustments, including interest earned and recoveries by WB, (if any)
6. Advances received from the World Bank during current reporting period
7. Closing DA balance at end of current reporting (per Bank statement attached, as of)
8. Outstanding amount of advances to be accounted for (4+5+6-7)

9. Total Expenditures reported for current reporting period, including this Application

Applic No.	Amount
------------	--------

Total (9)

10. Difference (if any) 9-8

Remarks

Approved by:

Kenya Electricity Modernization Project
P120014
Interim Financial Report
Sources and Uses of Funds
for the quarter ending.....

	Ref to details for current quarter	Opening Cumulative totals to date		Current reporting quarter		Cumulative totals to date		Cumulative combined totals	Expenditure forecast for the next 6 months	
		IDA	GOK	IDA	GOK	IDA....	GOK	IDA+GOK	IDA	GOK
PROJECT RECEIPTS										
IDA- Designated Account										
-Direct Payments										
Counterpart funding										
EXPENDITURE BY CATEGORY										
1) Goods, works, non-consulting services, and consultants' services for Parts A , B and D (vi) of the Project										
(2) Goods, works, non-consulting services, and consultants' services for Parts C(1) of the Project										
(3) Goods, works, non-consulting services, and consultants' services for Part C(2 of the Project										
(4) Goods, works, non-consulting services, and consultants' services for Parts D (i), D (ii) and D (iii) of the Project										
(5) Training for Part D (v)										
NET CHANGE IN CASH										
ADD: OPENING FUND BALANCES										
DA Account										
Project Account										
EXPECTED CASH BALANCE										
COMPRISING (CLOSING CASH BALANCES)										
DA Account										
Project Account										
ACTUAL CASH BALANCE										
Difference - Expected cash balance- Actual Cash balance to be explained										
Prepared by: _____ Checked by: _____ Date: _____										

Kenya Electricity Modernization Project
P120014
Interim Financial Report
Uses of funds per components
for the quarter ending.....

	% Eligible for IDA funding	Opening Cumulative totals to date		Current reporting quarter		Cumulative totals to date		Cumulative combined totals	Expenditure forecast for the next 6 months	
		IDA	GOK	IDA	GOK	IDA	GOK		IDA	GOK
Component A: Improvement In Service Delivery and Reliability										
Activity 1:.....										
Component B: Revenue Protection										
Activity 1										
Component C: Electrification Program (Peri-Urban and Rural Off-Grid)										
Activity 1:										
Component D Technical Assistance and Capacity Building										
Activity 1:.....										

Prepared by: _____
Checked by: _____
Date: _____

Kenya Electricity Modernization Project
P120014
Interim Financial Report
Variance Analysis
for the quarter ending.....

	Current Quarter Performance-Actual		Current quarter performance- Planned		Variance		Variance Explanation
	IDA.....	GOK	IDA	GOK	IDA ...	GOK	
Component A: Improvement In Service Delivery and Reliability							
Activity 1:.....							
Component B: Revenue Protection							
Activity 1							
Component C: Electrification Program (Peri-Urban and Rural Off-Grid)							
Activity 1:							
Component D Technical Assistance and Capacity Building							
Activity 1:.....							
Prepared by: _____ Checked by: _____ Date: _____							

**Kenya Electricity Modernization Project
P120014
Interim Financial Report
Contracts for expenditure subject to prior review
for the quarter ending.....**

[illegible]

P120014

Contracts for expenditure not subject to prior review

for the quarter ending.....

[illegible]

PROJECT NAME:	Kenya Electricity Modernization Project			
Project Number:	P120014			
REPORT:	INTERIM FINANCIAL MONITORING REPORT (FMR)			
THIS SCHEDULE:	Designated Account Activity Statement			
PERIOD OF REPORT:	xxxx			
REPORTING CURRENCY:	USD			
SA DEPOSIT BANK				
SPECIAL ACCOUNT NO.				
1. Cumulative advances to the end of current reporting period				
2(a). Cumulative expenditures to the end of last reporting period-Documented				
2(b). Cumulative expenditures to the end of current reporting period-Documented				
2(c). Cumulative expenditures to the end of last reporting period-Undocumented				
3. Outstanding advance to be accounted for (Line 1 minus Line 2(b) + 2(c))				
4. Opening SA balance at beginning of reporting period, as of				
5 Add subtract. cumulative adjustments, if any				
6. Add Advances from World Bank during current reporting period				
7 Add Line 5 and Line 6				
8 Outstanding advances to be accounted for (Add Line 4 and Line 7)				
9 Closing SA balance at end of current reporting period, as of				
10 Add subtract. cumulative adjustments, if any				
11 Add subtract. Expenditures for the current reporting period				

12. Add Line 10 and Line 11				
13. Add Line 9 and Line 12				
14. Difference , if any (Line 8 minus Line 13)				
15. Total forecast amount to be paid by World Bank				
16. Less: Closing SA balance after adjustments				
17 Less: Direct payments/SC payments				
18. Add Line 16 and Line 17				
19. Cash requirement from World bank for next two reporting periods (Line 15 minus Line 18)				

Kenya Electricity Modernization Project
P120014
Interim Financial Report
Six Months Forecast

	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	TOTAL
1) Goods, works, non-consulting services, and consultants' services for Parts A , B and D (vi) of the Project							
(2) Goods, works, non-consulting services, and consultants' services for Parts C(1) ... of the Project							
(3) Goods, works, non-consulting services, and consultants' services for Part C(2 ... of the Project							
(4) Goods, works, non-consulting services, and consultants' services for Parts D (i), D (ii) and D (iii) of the Project.							
(5) Training for Part D (v)							

Kenya Electricity Modernization Project
P120014
Interim Financial Report
Bank Reconciliations
for the quarter ending.....