

# OFFICIAL DOCUMENTS



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](mailto:clientconnection@worldbank.org).

If you have any queries in relation to the above, please contact Christiaan Nieuwoudt, Finance Officer at [cnieuwoudt@worldbank.org](mailto:cnieuwoudt@worldbank.org), with copy to Juvenia Cohen, Finance Analyst at [jcohen2@worldbank.org](mailto: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  
Nairobi

Ms. Winnie Mwamilu  
Senior Economist and Deputy Head  
World Bank Division and Policy Coordinating Unit  
The National Treasury  
Treasury Building, Harambee Avenue  
Nairobi

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

**Article I**  
**Standard Conditions; Definitions**

1.01. **Standard Conditions.** The “Standard Conditions for Advances Made by the World Bank under its Project Preparation Facility” dated July 31, 2010 (“Standard Conditions”), constitute an integral part of this Agreement.

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 or in this Agreement.

- (a) “Operating Costs” means the incremental operating expenses incurred by the Recipient on account of the implementation of the Activities, management and monitoring including on account of operation and maintenance costs of office and office equipment; office supplies, additional staff costs, travel and supervision costs, *per diem*, but excluding the salaries and indemnities of officials and public servants of the Recipient’s civil service.
- (b) “National Project Coordination Team (NPCT) Project Implementation Unit (PIU)” means the implementation unit established under the Recipient’s ministry responsible for environment and natural resources for the purpose of the Lake Victoria Environmental Management Project (LVEMPII) – Phase I (Credit No. 4530-KE, dated May 8, 2009 and Credit 5634-KE, dated July 7, 2015).
- (c) “Training” means the reasonable costs associated with training, seminars and workshop participation under the Activities, consisting of travel and subsistence costs for Training participants, costs (other than consulting services) associated with securing the services of trainers and presenters, rental of training facilities, translation and interpretation services, preparation and reproduction of training materials.

**Article II**  
**Execution of the Activities**

2.01. **Description of the Activities.** The Activities for which the Advance is provided consist of the following parts:

- (a) Technical assistance in the preparation and updating of the following documents: (i) related project implementation plans and operational manuals; (ii) environmental and social safeguards instruments; (iii) monitoring and evaluation indicators, including baseline studies.
- (b) Technical assistance for Project-related: (i) pre-feasibility and feasibility studies; (ii) cost-effective sustainable land management interventions; (iii) development of proposals, concepts and related processes for community-driven development interventions; (iv) mapping and needs analysis of industries for clean production activities;
- (c) Facilitate consultative and coordination meetings at the local and national level with government and other stakeholders to: (i) identify and develop the proposed Project activities, including community-driven development initiatives; (ii) identify cost-effective sustainable land management interventions and agree on potential enforcement arrangements; (iii) mobilize and sensitize community groups and local leaders on Project activities.

(d) Capacity building and operating expenses for the NCPT PIU, including the hiring of a procurement specialist and financing of maintenance costs; and

(e) Purchase of office equipment for Project-related offices and related laboratory reagents.

2.02. **Execution of the Activities Generally.** The Recipient declares its commitment to the objectives of the Activities. To this end, the Recipient shall carry out the Activities through the NCPT in accordance with the provisions of: (a) Article II of the Standard Conditions; (b) this Article II; and (c) 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 revised in January 2011 and as of July 1, 2016.

2.03. **Institutional and Other Arrangements.** Without limitation upon paragraph 2.02 above, the Recipient shall cause the NCPT PIU, with staffing in number and with qualification and experience acceptable to the World Bank, to be responsible for the implementation and the fiduciary aspects of the Activities.

2.04. **Monitoring, Reporting and Evaluation of the Activities.** The Recipient shall monitor and evaluate the progress of the Activities in accordance with the provisions of Section 2.08 of the Standard Conditions.

2.05. **Financial Management.** (a) The Recipient shall ensure that a financial management system is maintained in accordance with the provisions of Section 2.09 of the Standard Conditions.

(b) The Recipient shall ensure that interim un-audited financial reports for the Activities are prepared and furnished to the World Bank not later than forty-five (45) days 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 Sections 2.09 (b) of the Standard Conditions.

(i) If, on or before the Refinancing Date, a Refinancing Agreement has been executed by all of its parties, the Recipient shall have the Financial Statements included in the first audit of financial statements required under the Refinancing Agreement.

(ii) If, by the Refinancing Date, no Refinancing Agreement has been executed by all of its parties, such audit of the Financial Statements shall cover the period of the Advance, commencing with the fiscal year in which the first withdrawal under the Advance was made. The audited Financial Statements for such period shall be furnished to the World Bank not later than six months after the end of the Recipient’s fiscal year in which the Refinancing Date occurs.

(iii) Notwithstanding the provisions of paragraphs (i) and (ii) of this Section, the World Bank may request an audit of the Financial Statements prior to the Refinancing Date, covering such period as is indicated in its request. 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.

#### 2.06. **Procurement**

All goods, non-consulting services and consulting services required for the Activities and to be financed out of the proceeds of the Advance shall be procured in accordance with the requirements set forth or referred to in the “World Bank Procurement Regulations for IPF Borrowers” dated July 2016, revised November 2017 (“Procurement Regulations”) and the provisions of the Recipient’s procurement plan for the Activities dated January 31, 2018

("Procurement Plan") provided for under Section IV of the Procurement Regulations, as the same may be updated from time to time in agreement with the World Bank.

### **Article III Withdrawal of the Advance**

3.01. **Eligible Expenditures.** The Recipient may withdraw the proceeds of the Advance 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 "Disbursement Guidelines for Investment Project Financing" dated February 2017, 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 each category of Eligible Expenditures that may be financed out of the proceeds of the Advance ("Category"), the amount of the Advance allocated to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category:

Category	Amount of the Advance Allocated (expressed in Dollars)	Percentage of Expenditures to be Financed (inclusive of Taxes)
(1) Goods, non-consulting services, consulting services, Operating Costs and Training under the Activities	1,900,000	100%
<b>TOTAL AMOUNT</b>	1,900,000	

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, except that withdrawals up to an aggregate amount not to exceed \$380,000 equivalent may be made for payments made prior to this date but on or after January 1, 2018, for Eligible Expenditures.

3.03. **Refinancing Date.** The Refinancing Date is December 31, 2019.

### **Article IV Terms of the Advance**

4.01. **Service Charge.** The Recipient shall pay a service charge on the Withdrawn Advance Balance at the rate of three-fourths of one percent (3/4 of 1%) per annum. The service charge shall accrue from the respective dates on which amounts of the Advance are withdrawn and shall be paid in arrears in accordance with the provisions of Section 4.02 of this Agreement. Service charges shall be computed on the basis of a 360-day year of twelve 30-day months.

4.02. **Repayment.** The Withdrawn Advance Balance shall be repaid by the Recipient to the World Bank (together with any service charges accrued thereon) in accordance with the provisions of Article IV of the Standard Conditions and the following provisions:

(a) **Refinancing under the Refinancing Agreement:** If, on or before the Refinancing Date, a Refinancing Agreement has been executed by all of its parties, then the full amount of the

Withdrawn Advance Balance shall be repaid to the World Bank (together with any service charges accrued on the Advance to the date of repayment) as soon as the Refinancing Agreement becomes effective, by means of a withdrawal by the World Bank of an amount of the Refinancing Proceeds equivalent to the Withdrawn Advance Balance plus such service charges, in accordance with the provisions of the Refinancing Agreement.

(b) *Repayment in the absence of a Refinancing Agreement:* If, on or before the Refinancing Date, no Refinancing Agreement has been executed by all of its parties, or if, by such date or at any time thereafter, it has been so executed but terminates without becoming effective, then:

- (i) if the amount of the Withdrawn Advance Balance does not exceed \$50,000, it shall be repaid by the Recipient to the World Bank (together with service charges accrued on the Withdrawn Advance Balance to the date of repayment) on such date as the World Bank shall specify in a notice to the Recipient, which shall in no event be earlier than 60 days following the date of dispatch of such notice; and
- (ii) if the amount of the Withdrawn Advance Balance exceeds \$50,000, it (together with service charges accrued on the Withdrawn Advance Balance to the Notice Date) (the "Aggregate Balance") shall be paid by the Recipient to the World Bank in ten approximately equal semiannual installments, in the amounts and on the dates ("Payment Dates") which the World Bank shall specify in a notice to the Recipient. In no event shall the first Payment Date be set earlier than 60 days following the date ("Notice Date") of dispatch of such notice. The Recipient shall pay a service charge on the Aggregate Balance at the rate of three-fourths of one percent (3/4 of 1%) per annum, payable in arrears on each Payment Date. The service charge shall be computed on the basis of a 360-day year of twelve 30-day months.

#### **Article V Recipient's Representative; Addresses**

5.01. *Recipient's Representative.* The Recipient's Representative referred to in Section 9.02 of the Standard Conditions is its minister of finance.

5.02. *Recipient's Address.* The Recipient's Address referred to in Section 9.01 of the Standard Conditions:

The National Treasury  
Treasury Building, Harambee Avenue  
P.O. Box 30007-00100  
Nairobi, Kenya

5.03. *World Bank's Address.* The World Bank's Address referred to in Section 9.01 of the Standard Conditions is:

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

Telex:

Facsimile:

248423 (MCI) or  
64145 (MCI)

(1)-202-477-6391