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RESTRUCTURING PAPER

ON A

PROPOSED PROJECT RESTRUCTURING
OF
FINANCIAL AND LEGAL SECTOR TECHNICAL ASSISTANCE PROJECT
CREDIT NO. 39920
{ BOARD APPROVAL DATE }
OCTOBER 14, 2004

TO THE

REPUBLIC OF KENYA

DATE OF RESTRUCTURING
February 25, 2013

FINANCIAL SECTOR
AFRICA REGION

Restructuring	Status: Draft
Restructuring Type:	

1. Basic Information	
Project ID & Name	P083250: Financial & Legal Sec TA
Country	Kenya
Task Team Leader	Yira Mascaró
Sector Manager/Director	Irina Astrakhan
Country Director	Johannes C.M. Zutt
Original Board Approval Date	10/14/2004
Original Closing Date:	03/31/2010
Current Closing Date	03/31/2013
Proposed Closing Date [if applicable]	
EA Category	C-Not Required
Revised EA Category	N/A
EA Completion Date	
Revised EA Completion Date	

2. Revised Financing Plan (US\$m)		
Source	Original	Revised
BORR	2.00	N/A
DFID	10.00	N/A
IDA	18.00	N/A
Total	30.00	N/A

3. Borrower		
Organization	Department	Location
Government of the Republic of Kenya		Kenya
Office of the Deputy Prime Minister and Ministry of Finance		Kenya

4. Implementing Agency		
Organization	Department	Location

5. Disbursement Estimates (US\$m)		
Actual amount disbursed as of 02/25/2013		10.43
Fiscal Year	Annual	Cumulative
2013	7.50	18
	Total	18

6. Policy Exceptions and Safeguard Policies	
Does the restructured project require any exceptions to Bank policies?	N
Does the restructured projects trigger any new safeguard policies? If yes, please select from the checklist below and update ISDS accordingly before submitting the package.	N

7a. Project Development Objectives/Outcomes
Original/Current Project Development Objectives/Outcomes
The overall development objective of the project is to create a sound financial system and strengthened legal and judicial capacity that will ensure broad access to financial and related legal services.

7b. Revised Project Development Objectives/Outcomes [if applicable]

Reallocation of Proceeds

KENYA – FINANCIAL AND LEGAL SECTOR TECHNICAL ASSISTANCE
PROJECT
P083250

CREDIT NO. 39920

Restructuring Paper

1. The project was approved on October 14, 2004 and became effective on June 30, 2005. The original credit amount was SDR 12.2 million, equivalent to US\$18 million, with DFID providing an additional US\$10 million equivalent and the Borrower providing an additional US\$2 million equivalent. Total project funding is US\$30 million equivalent. The first restructuring was made on February 29 2010 and September 30 2011.
2. This restructuring includes the following items, with the revisions reflected in the table below:
 - (i) An increase in the special account ceiling from US\$ 2 million to US\$ 4 million;
 - (ii) Re-allocation of funds among expenditure categories;
 - (iii) Upward revision of the percentage of expenditures to be financed by the IDA Credit in the Development Credit Agreement (DCA), once UK Department for International Development (DFID funds are exhausted).

Proceeds for Kenya – Financial and Legal Sector Technical Assistance Project, (*Credit No. 39920, P08325*) will be as follows:

Category	Current - Amount of the Credit Allocated (Expressed in SDR Equivalent)	Current - Percentage of Expenditures to be Financed (inclusive of Taxes)	Revised - Amount of the Credit Allocated (Expressed in SDR Equivalent)	Revised - Percentage of Expenditures to be Financed (inclusive of Taxes)
(1) Goods & Equipment	3,970,000	67%	5,280,000	67%; once DFID funds are fully utilized, 100%
(2) Consultant Services including Audit	4,010,000	62%	4,650,000	62%; once DFID funds are fully utilized, 100%

(3) Training and Workshops	1,930,000	60%	1,750,000	60%; once DFID funds are fully utilized, 100%
(4) Operating Costs	1,090,000	53%	466,184	53%; once DFID funds are fully utilized, 100%
(5) Refunding of PPF	500,000	Amount due pursuant to Section 2.02 (b) of this Agreement	53,816	Amount due pursuant to Section 2.02 (b) of this Agreement
(6) Unallocated	700,000		0	
TOTAL AMOUNT	12,200,000		12,200,000	

3. Brief summary of project implementation progress:

- (i) As of February 13, 2013, out of the US\$18 million IDA Credit (excluding exchange rate gains), US\$10.43 million are disbursed (US\$20.2 million for IDA, DFID and GoK) and US\$7.5 million committed (including a number of ICT activities and goods), with a US\$3.4 million contract (and 3 other smaller contracts) recently signed. The need to adjust the percentage of expenditures is required explicitly to be able to pay for this large contract, which under existing co-financing arrangements would not be possible. Please note that by contract, the goods and services will be delivered before March 31, 2013.
 - (ii) The project's performance in achieving the PDOs has been satisfactory and project implementation has benefited from the restructuring processes. The Recipient, DFID and the IDA project team are in agreement that despite the project's structural complexities: (i) a large and critical set of activities has been completed with recognized impact by all implementing agencies, (ii) substantial progress has been made towards achievement of objectives, and (iii) all crucial activities planned are now under implementation (with the exception of one ICT related activity, which will not be completed).
4. The rationale for the proposed reallocation is to facilitate completion of project activities and substantial achievement of development objectives by removing constraints related to the project's co-financing structure reflected in the legal agreement. With DFID funds close to being depleted, and the GoK's contribution exhausted, reallocating and increasing the portion financed by the IDA Credit, and increasing the special account ceiling, would allow for the full implementation of ongoing activities that were deemed crucial for the achievement of objectives. This notably includes the finalization of the automation and modernization of supervisory processes of all financial sector supervisors, as well as activities related to the legal sector.