October 27, 2014

Mr. Henry Rotich  
Cabinet Secretary  
The National Treasury  
Harambee Avenue,  
Treasury Building, 10th Floor  
P.O. Box 30007-00100 Nairobi

Dear Mr. Rotich

Re: IDA Financing 4771-KE, 5034-KE and 5367-KE and Grant TF 16027-KE (Health Sector Support Project)  
Second revised Disbursement Letter dated January 21, 2014  
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, dated January 21, 2014. I also refer to the Grant Agreement between International Bank for Reconstruction and Development and International Development Association (both acting as administrator of the Multi-donor Trust Fund for Health Results Innovation) and the Republic of Kenya (the “Recipient”) for the above-referenced project, dated January 21, 2014. The Agreements provide that the Association may issue additional instructions regarding the withdrawal of the proceeds of Financing 4771-KE, 5034-KE and 5367-KE (“Financing”) and Grant TF 16027-KE (“Grant”).

This letter (“Disbursement Letter”), as revised from time to time, constitutes the additional instructions and is the second revised version which amends the Designated Account types for IDA 4771-KE, 5034-KE, 5367-KE and TF 16027 as per section II (vi). All other provisions of the Disbursement Letter, except as amended, shall remain in full force and effect.

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 and the Grant 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

(ii) Disbursement Methods (section 2). The following Disbursement Methods may be used under the Financing and the Grant:
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 and the Grant Agreements. 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 and Grant Agreements.

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, 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 200,000.00 USD.

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

- **Type of Designated Accounts (subsection 5.3):**
  - Designated Account (AA) HSSF: Pooled under IDA Credit 4771-KE, IDA Credit 5367-KE and Grant TF 16027-KE;
  - Designated Account (BB) KEMSA: Pooled under IDA Credit 4771-KE and IDA Credit 5034-KE. The Designated Account will be managed by the Ministry of Finance for payments related to activities executed by Kenya Medical Supplies Agency (KEMSA);
  - Designated Account (CC) HSS: pooled under IDA Credit 4771-KE IDA 5367-KE and Grant TF 16027-KE.

- **Currency of Designated Accounts (subsection 5.4):** US Dollars

- **Financial Institution at which the Designated Accounts Will Be Opened (subsection 5.5):** The Cooperative Bank of Kenya Ltd.

- **Ceiling (subsection 6.1):** 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.

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

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

- **For requests for Reimbursement:**
  - Interim Financial Report in the form attached (Attachment 4), indicating separately expenditures in each category for which Reimbursement is requested,
together with a separate Statement of Expenditure for Reimbursements (Attachment 5) for such payments; and
  o List of payments against contracts that are subject to the Association’s prior review, in the form attached (Attachment 6)

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

- **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.

(iii) Other Supporting Documentation Instructions
Separate withdrawal application should be prepared for withdrawals from IDA 4771-KE, IDA 5034-KE and IDA 5367-KE and TF 16027-KE.

IV. Other Disbursement Instructions

- The Direct Payment method will be applied for all payments to UNICEF under a contract between UNICEF and the Recipient, for eligible expenditures incurred under Category 4. If authorized under this contract, advances may be made to UNICEF for this purpose, up to a maximum amount equivalent to expenditure forecast for the next 2 quarters, as documented and approved by the World Bank. These advances will be documented through Supplementary Financial Information in the form Attachment 8. These advances will be disbursed into the bank account specified by UNICEF in the referred contract. Advances made to UNICEF and remaining unspent at the closing date of the project should be refunded to the World Bank before the disbursement deadline date.

- Funds may be transferred on a monthly basis from the Designated Accounts to existing project bank accounts maintained in Kenya Shillings at each implementing agency (KEMSA, MOH), 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). 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.
V. Other Important Information


From the Client Connection website, you will be able to prepare and deliver Applications, monitor the near real-time status of the Financing and the Grant, 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 the Grant, 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 cnieuwoudt@worldbank.org using the above reference.

Yours sincerely,

Christiaan Nieuwoudt
Finance Officer
Africa Region

Attachments
All Attachments remain valid as provided under the original Disbursement Letter

Prepared by: Samuel Macharia

Cleared with and cc:
G N V Ramana (Task Team Leader)