Cabinet Secretary  
National Treasury  
Treasury Building  
Nairobi, Kenya

Honorable Cabinet Secretary:

Re: IDA Financing 5526-KE  
Kenya Petroleum Technical Assistance 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 5526-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.
II. Withdrawal of Financing Proceeds

(i) Authorized Signatures (subsection 3.1). A 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  
Kenya Country Office  
Nairobi, Kenya  
Diarietou Gaye  
Country Director

(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  
Menengai Road  
Nairobi  
Kenya

(iii) Electronic Delivery (subsection 3.4). The Recipient may deliver Applications to the Association through the Association’s Client Connection, web-based portal, by completing Form 2380, which is accessible through Client Connection (http://clientconnection.worldbank.org). Officials of the Recipient may deliver Applications electronically on behalf of the Recipient if they: (a) have been designated in writing by the Recipient, pursuant to the terms of subparagraph (i) of this Section, to sign and deliver Applications by electronic means and to receive secure identification devices (“Tokens”) from the Association, (b) are registered as users of Client Connection, and (c) have received from the Association Tokens for such purpose. This constitutes an additional means of delivering Applications to the Association. The Recipient may continue to exercise the option of preparing and delivering Applications in paper format. 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 Tokens to Process Applications. By designating authorized signatories to accept Tokens and by choosing to deliver the Applications electronically, the Recipient confirms its agreement to abide by and to cause the authorized signatories to abide by the Terms and Conditions of Use of Secure Identification Device in connection with Use of Electronic Means to Process Applications ("Terms and Conditions of Use of Tokens") provided in Attachment 2. The Recipient also represents and warrants to the Association (and such representations and warranties, including without limitation, the representations and warranties contained in the Terms and Conditions of Use of Tokens, shall be relied upon by the Association) that the Recipient shall deliver the Terms and Conditions of Use of Tokens to each authorized signatory and shall cause each authorized signatory to be bound by those terms and conditions.

(v) Minimum Value of Applications (subsection 3.5). The Minimum Value of Applications for Direct Payments, Special Commitments and Reimbursements varies by implementing agency and is fixed at 15% of the ceiling of each Designated Account.
(vi) Advantages (sections 5 and 6).

- **Type of Designated Accounts (subsection 5.3):** Segregated.
- **Currency of Designated Accounts (subsection 5.4):** US Dollars
- **Financial Institution at which the Designated Accounts will be opened (subsection 5.5):** Central Bank of Kenya
- **Ceiling (subsection 6.1):** DA for MEP, US$ 2,100,000; DA for National Treasury, US$350,000; DA for MoED, US$200,000
- **Important Notice: No Initial Deposits can be made to Designated Accounts if there is a Lapsed Loan in the Borrower/Recipient's Loan Portfolio with the World Bank.**

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:**
  - Records evidencing eligible expenditures (e.g., copies of receipts, supplier invoices and documentary evidence of delivery and the Recipient’s acceptance of contracted goods or services) for payments against contracts valued more than US$500,000 or equivalent for goods, US$200,000 for consulting firms; US$100,000 or equivalent for individual consultants, training and operating costs;
  - Summary Sheet of payments against contracts that are subject to the Association’s prior review, in the form attached (Attachment 5);
  - A Statement of Expenditure in the form attached (Attachment 4) for all other expenditures and contracts; and

- **For reporting eligible expenditures paid from the Designated Account:**
  - Records evidencing eligible expenditures (e.g., copies of receipts, supplier invoices and documentary evidence of delivery and the Recipient’s acceptance of contracted goods or services) for payments against contracts valued more than US$500,000 or equivalent for goods, US$200,000 for consulting firms; US$100,000 or equivalent for individual consultants, training and operating costs;
  - Summary Sheet of payments against contracts that are subject to the Association’s prior review, in the form attached (Attachment 5); and
  - A Statement of Expenditure in the form attached (Attachment 4) for all other expenditures and contracts; and

- **For requests for Direct Payment and Special Commitments:** records evidencing eligible expenditures, e.g., copies of receipts, supplier invoices and documentary evidence of delivery and the Recipient’s acceptance of contracted goods, works or services.

(ii) **Frequency of Reporting Eligible Expenditures Paid from the Designated Account (subsection 6.3):** Monthly.

(iii) **Other Supporting Documentation Instructions**
IV. Other Important Information


If you have not already done so, the Association recommends that you register as a user of the Client Connection website (http://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. 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 LOA service account email address using the above reference.

Yours sincerely,

[Signature]

Diarie Tou Gaye
Country Director for Kenya
Africa Region

Attachments:
1. World Bank Disbursement Guidelines for Projects, dated May 1, 2006
2. Form for Authorized Signatures
4. Form of Statement of Expenditures
5. Form of Summary Sheet of Payments Against Contracts Subject to the Association’s Prior Review
Attachment 2

Form of Authorized Signatory Letter

[Letterhead]
Ministry of Finance
[Street address]

[DATE]

The World Bank
Resident Mission
Nairobi, Kenya

Attention: Ms. Diarietou Gaye

Re: IDA Financing 5526-KE
Kenya Petroleum Technical Assistance Project

I refer to the Financing Agreement ("Agreement") between the International Development Association (the "Association") and the Republic of Kenya (the "Recipient"), dated ______ providing the above Financing. For the purposes of Section 2.03 of the General Conditions as defined in the Agreement, any [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, [each] of the persons whose authenticated specimen signatures appears below is authorized on behalf of the Recipient, acting [individually] [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 Tokens and to deliver the Applications and supporting documents to 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 the Agreement.]

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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 Tokens 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.
Conditions of Use of Secure Identification Devices in connection with Use of Electronic Means to Process Applications and Supporting Documentation ("Terms and Conditions of Use of Tokens"), the Recipient represents and warrants to the Association that it will deliver to each such person a copy of the Terms and Conditions of Use of Tokens and 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]
The World Bank (Bank)\textsuperscript{6} will provide secure identification credentials (SIDC) to permit the Borrower\textsuperscript{7} 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

\textsuperscript{6} "Bank" includes IBRD and IDA.

\textsuperscript{7} "Borrower" includes the borrower of an IBRD loan, IDA credit, or Project Preparation Facility advance and the recipient of a grant.
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 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.
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.
**STATEMENT OF EXPENDITURE**

Payments made during the period from ______ to ______

For expenditures against the contracts **not subject to the Bank Prior Review** Financing

Project Implementing Agency:

<table>
<thead>
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<th>SOE No:</th>
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<tr>
<th>Item No.</th>
<th>Category Name &amp; No. (**)</th>
<th>Currency and Total Amount of Contract</th>
<th>Name of Contractor / Payee</th>
<th>Currency and Total Amount of Invoice</th>
<th>Amount financed by Other Sources</th>
<th>Amount covered by this Application (5-6)</th>
<th>Eligible % from Schedule 1 of Financing Agreement</th>
<th>Amount Eligible for Financing (7x 8)</th>
<th>Currency and Amount Paid from Designated Account or Project Account</th>
<th>Remarks</th>
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**TOTALS**

Supporting documents for this SOE retained at ____________________________ (insert location)

(*) A separate SOE form should be used for retroactive financing.

(**) Items should be grouped by category; or alternatively, a separate SOE form may be used for each category

# For expenditures incurred at Selected Municipality and Water Service Board, please state reference and date of relevant agreement.
Payments made during the period from _____________ to _____________

Summary Sheet For expenditures against the contracts subject to the Bank Prior Review

<table>
<thead>
<tr>
<th>Item No.</th>
<th>Category No. &amp; Description (**)</th>
<th>Currency and Total Amount of Contract</th>
<th>Name of Contractor</th>
<th>Ref. No. of Contract</th>
<th>Date of NOL from World Bank</th>
<th>Invoice No. &amp; date</th>
<th>Currency and Total Amount of Invoice Covered by Application</th>
<th>Eligible % from Schedule 1 of Financing Agreement</th>
<th>Amount Eligible for Financing (8 x 9)</th>
<th>Currency and Amount Paid from Designated Account or Project Account</th>
<th>Exchange Rate (Col. 11 divided by Col. 10)</th>
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**TOTALS**

Remarks: ____________________________

Authorized Signatory ____________________________

(insert location)

Supporting documents for this Application retained at ____________________________

(*) A separate form should be used for retroactive financing. For expenditures incurred at Selected Municipality and Water Service Board, please state reference and date of relevant agreement.