

**The World Bank**

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT  
INTERNATIONAL DEVELOPMENT ASSOCIATION  
INDEVAS

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Cable Address: INTBAFRAD  
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November 10, 2005

H. E. David Mwiraria  
Minister of Finance  
Ministry of Finance  
P.O Box, 30007,  
Nairobi, Kenya.

Re: Education for All – Fast Track Initiative (EFA-FTI) Catalytic Trust Fund  
Grant Number TF055916

Your Excellency:

I am writing on behalf of the International Bank for Reconstruction and Development and the International Development Association (collectively the Bank) to indicate the Bank's agreement, as administrator of grant funds provided under the EFA-FTI Catalytic Trust Fund, to make a grant in an amount not exceeding twenty four million two hundred thousand US Dollars (US\$ 24,200,000) (the Grant) to the Republic of Kenya (the Recipient), subject to the availability of funds in the EFA-FTI Catalytic Trust Fund. The Bank shall pay the Grant to the Recipient in one tranche.

The Bank has received from the Recipient a letter, dated August 2, 2005, describing a program of actions, objectives, and policies designed to achieve primary education for all children in the Recipient's territory, a policy paper entitled *Kenya Education Sector Support Programme (KESSP) 2005-2010* dated July 2005; a Sessional Paper on *A Policy Framework for Education, Training and Research, No. 1 of 2005*; a paper on *Education Sector Governance and Accountability and Action Plan dated July 21, 2005* (herein collectively referred to as the Program), declaring the Recipient's commitment to the execution of the Program, and requesting the Bank's assistance in supporting the Program. On the basis of the Recipient's letter, the Bank has decided to support the Program by making the Grant on the terms and conditions set forth in this Letter Agreement and its Annex.

The Recipient represents, by confirming its agreement below, that it is authorized to contract and withdraw the Grant in support of the Program on the terms and conditions set forth in this Letter Agreement and its Annex.



The Recipient intends to obtain from both the Pooling Development Partners and Non-Pooling Development Partners (as herein defined) grants or loans to assist in financing the Program.

The Bank and the Pooling Development Partners will be entering into a Joint Financing Agreement providing for common arrangements and procedures on procurement, disbursement, accounting, monitoring, reporting, auditing, coordination and exchange of information required for the implementation of the Program.

It is the Bank's policy to make publicly available this Letter Agreement and any information related thereto, after this Letter Agreement has become effective and the Recipient has given its consent to such disclosure. The Recipient, by countersigning this Letter Agreement, confirms its consent to such disclosure.

Please confirm your agreement to the foregoing, on behalf of the Recipient, by signing, dating, and returning to us the enclosed copy of this Letter Agreement. Upon receipt by the Bank of the copy of this Letter Agreement countersigned by you, this Letter Agreement will become effective as of the date of your countersignature.

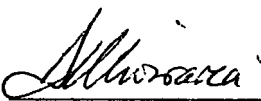
Very truly yours,  
INTERNATIONAL BANK FOR  
RECONSTRUCTION AND DEVELOPMENT  
INTERNATIONAL DEVELOPMENT ASSOCIATION  
(as Administrator of grant funds provided under  
the EFA-FTI Catalytic Trust Fund)

By:   
Colin Bruce

Country Director for Kenya, Eritrea & Somalia.  
Africa Region

AGREED:

THE REPUBLIC OF KENYA

By:   
H. E. David Mwiraria  
Minister of Finance

Date: 10<sup>TH</sup> NOV, 2005

## ANNEX

### **Purposes, Terms, and Conditions of the Grant**

#### The Grant

1.1. Purposes of the Grant. Subject to the provisions of this Letter Agreement, the Recipient may withdraw the Grant proceeds from the Grant Account for activities in support of the Program.

1.2. Grant Account. The amount of the Grant shall be credited to an account opened by the Bank on its books in the name of the Recipient (the Grant Account).

1.3. Deposit Account. The Recipient shall open, prior to furnishing to the Bank the first request for withdrawal from the Grant Account, and thereafter maintain in a financial institution acceptable to the Bank, a deposit account in a currency and on terms and conditions acceptable to the Bank (the Deposit Account). All withdrawals from the Grant Account shall be deposited by the Bank into the Deposit Account.

1.4. Pooled Account. (a) The Recipient shall open and maintain an account (the Pooled Account) in Kenya Shillings in a commercial bank acceptable to the Association on terms and conditions satisfactory to the Bank, including appropriate protection against set-off, seizure or attachment wherein it shall deposit development partners' financial contribution to the Program. Deposits into, and payments out of, this Pooled Account shall be made in accordance with the relevant provisions of the Joint Financing Agreement where applicable.

(b) All funds deposited into the Grant Account in accordance with paragraph 1.2 of this Agreement shall be promptly deposited into the Pooled Account.

(c) The funds from the Pooled Account may be withdrawn in accordance with the provisions of the Joint Financing Agreement, where applicable, for expenditures made (or, if the Association shall so agree, to be made) in respect of the reasonable cost of goods, works and services required for the Program.

1.5. Withdrawals. Whenever the Recipient desires to withdraw any amount from the Grant Account, it shall deliver to the Bank a written application for withdrawal of such amount in such form as the Bank shall specify. Withdrawal applications shall be: (a) signed on behalf of the Recipient by its Minister of Finance or such other person as he or she shall have authorized in writing; and (b) accompanied by such evidence in support of the application as the Bank shall reasonably request, whether before or after the Bank shall have permitted any withdrawal requested in the application. Authenticated specimen signatures of the person authorized to sign withdrawal applications shall be provided not later than the first application bearing his or her signature. Each withdrawal application for an amount of the Grant and its supporting evidence must be sufficient in form and substance to satisfy the Bank that the Recipient is entitled to withdraw such amount from the Grant Account. The Bank shall pay the amounts withdrawn by the Recipient from the Grant Account only to, or on the order of, the Recipient.

1.6. Currency of Withdrawal. Withdrawals of the proceeds of the Grant shall be made in the currency of the Grant. The Bank, at the Recipient's request and acting as an agent of the Recipient, shall purchase with the currency of the Grant withdrawn from the Grant Account such currencies as shall be required to pay for expenditures to be financed out of the proceeds of the



Grant. Whenever it shall be necessary, for the purposes of this Letter Agreement, to determine the value of one currency in terms of another, such value shall be as reasonably determined by the Bank.

1.7. Excluded Expenditures. The Recipient undertakes that the proceeds of the Grant shall not be used to finance expenditures excluded pursuant to the provisions of the Attachment to this Annex. If the Bank determines at any time that any proceeds of the Grant have been used to make a payment for an expenditure so excluded, the Recipient shall, promptly upon notice from the Bank: (a) deposit into the Deposit Account an amount equal to the amount of this payment, or (b) if the Bank shall so request, refund such amount to the Bank. Amounts refunded to the Bank upon such request shall be credited to the Grant Account for cancellation.

1.8. Closing Date. The Bank may at any time after December 31, 2006 terminate, by notice to the Recipient, the right of the Recipient to make withdrawals from the Grant Account (the Closing Date). The Bank may establish a later Closing Date, and in such case, it shall promptly notify the Recipient of such later date.

## 2. The Program

2.1. Exchange of Views. The Recipient and the Bank shall from time to time, at the request of either party, exchange views on the progress achieved in carrying out the Program. Prior to each such exchange of views, the Recipient shall furnish to the Bank for its review and comment a report in form and detail satisfactory to the Bank, on the progress achieved in carrying out the Program, in such detail as the Bank shall reasonably request. Without limitation upon the foregoing, the Recipient shall: (a) furnish to the Bank not later than 4 months after the Closing Date for the Bank's review and comment, the final such report; and (b) exchange views with the Bank on any proposed action to be taken after the final withdrawal of the proceeds of the Grant which would have the effect of materially reversing the objectives of the Program, or any action taken under the Program.

2.2. Audits. Upon the Bank's request, the Recipient shall: (i) have the Deposit Account audited in accordance with consistently applied auditing principles acceptable to the Bank, by independent auditors acceptable to the Bank; (ii) furnish to the Bank as soon as available, but in any case not later than four months after the date of the Bank's request for such audit, a certified copy of the report of such audit by said auditors, of such scope and in such detail as the Bank shall have reasonably requested; and (iii) furnish to the Bank such other information concerning the Deposit Account and its audit as the Bank shall have reasonably requested.

## 3. Suspension and Cancellation.

3.1. The Bank may at any time, by notice to the Recipient, suspend the right of the Recipient to make further withdrawals from the Grant Account if any of the following events has occurred and is continuing:

(a) the Recipient has failed to comply with any of its obligations under this Letter Agreement;

(b) the right of the Recipient, or any other entity to which the Bank has made a loan with the guarantee of the Recipient, to make withdrawals under any agreement with the International Bank for Reconstruction and Development or any agreement with the International Development Association shall have been suspended;



(c) a situation has arisen which, in the opinion of the Bank, shall make it improbable that the Program or a significant part thereof, will be carried out;

(d) any action shall have been taken or any omission shall have been made which would have the effect of materially reversing, in the Bank's opinion, the objectives of the Program or any action taken under the Program; or

(e) a situation has arisen in which the withdrawal of any amount from the Grant Account would exceed the amount allocated to the Grant that is available from the EFA-FTI Catalytic Trust Fund.

3.2. The Bank may, by written notice to the Recipient, terminate the right of the Recipient to make further withdrawals from the Grant Account at any time after the right of the Recipient to make withdrawals from the Grant Account has been suspended pursuant to the provisions of paragraph 3.1 above.



**Excluded Expenditures**

For purposes of Section 1.7 of this Letter Agreement, the proceeds of the Grant shall not be used to finance any of the following expenditures:

1. expenditures for goods or services supplied under a contract which any national or international financing institution or agency other than the Bank shall have financed or agreed to finance, or which the Bank shall have financed or agreed to finance under another agreement;
2. expenditures for goods included in the following groups or subgroups of the Standard International Trade Classification, Revision 3 (SITC, Rev.3), published by the United Nations in Statistical Papers, Series M, No. 34/Rev.3 (1986) (the SITC), or any successor groups or subgroups under future revisions to the SITC, as designated by the Bank by notice to the Recipient:

<u>Group</u>	<u>Subgroup</u>	<u>Description of Items</u>
112		Alcoholic beverages
121		Tobacco, unmanufactured, tobacco refuse
122		Tobacco, manufactured (whether or not containing tobacco substitutes)
525		Radioactive and associated materials
667		Pearls, precious and semiprecious stones, unworked or worked
718	718.7	Nuclear reactors, and parts thereof; fuel elements (cartridges), non-irradiated, for nuclear reactors
728	728.43	Tobacco processing machinery
897	897.3	Jewelry of gold, silver or platinum group metals (except

watches and watch  
cases) and  
goldsmiths' or  
silversmiths'  
wares (including  
set gems)

Gold, non-monetary  
(excluding gold  
ores and concentrates)

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3. expenditures for goods intended for a military or paramilitary purpose or for luxury consumption;
4. expenditures for environmentally hazardous goods (for purposes of this paragraph the term "environmentally hazardous goods" means goods, the manufacture, use or import of which is prohibited under the laws of the Recipient or international agreements to which the Recipient is a party);
5. expenditures on account of any payment to persons or entities, or any import of goods, if such payment or import is prohibited by a decision of the United Nations Security Council taken under Chapter VII of the Charter of the United Nations; and
6. expenditures under a contract in respect of which the Bank determines that corrupt or fraudulent practices were engaged in by representatives of the Recipient or of a beneficiary of the Grant during the procurement or execution of such contract, without the Recipient having taken timely and appropriate action satisfactory to the Bank to remedy the situation.