



# USAID | KENYA

FROM THE AMERICAN PEOPLE

October 31, 2006

Mr. Joseph Kinyua  
The Permanent Secretary  
Ministry of Finance  
P.O. BOX 30007  
Nairobi.

Prof. Karega Mutahi  
The Permanent Secretary  
Ministry of Education  
P.O. Box 30040-00100  
Nairobi

**Subject: Release of Local Currency for the North Eastern Province Primary School Infrastructure Project under the USAID Memorandum of Understanding – The Kenya Enterprise Development Program Fund for Economic Development Support**

## Implementation Letter No. 2

Dear Mr. Kinyua and Mr. Karega:

USAID/Kenya reviewed and approved the GOK Phase III proposal for the North Eastern Province Primary Schools Infrastructure Project in the total amount of and not to exceed, Kenya Shillings 130,000,000 (One Hundred and Thirty Million Shillings). These funds are held in the Trust Local Currency account No. 01-010-E394 at the Central Bank of Kenya and are reflected in the GOK FY2006/2007 Development Estimates.

USAID/Kenya also concurs to the release of funds to the respective Schools subject to the accounting and reporting procedures agreed between USAID and Ministry of Education officials as outlined below.

This implementation letter therefore outlines the accounting and reporting procedures as follows:

1. The Ministry of Education (MOE) will request in writing the release of funds to the Permanent Secretary, Ministry of Finance (MOF) and USAID for each of the

U.S. Agency for International Development  
USAID Kenya  
P.O. Box 629  
Village Market 00621  
Nairobi, Kenya

Courier Address:  
USAID/Kenya  
ICIPE Complex  
Kasarani Road  
Nairobi, Kenya

U.S. Postal Address:  
USAID Kenya  
Unit 64102  
APO AE 09831-4102

Tel: 254-20-862 2000  
Fax: 254-20-862 2680 / 2682  
www.usaidkenya.org

approved schools and Districts. Funds shall be disbursed to the beneficiary schools' non-commingled project accounts as directed by the MOE.

2. The MOE request for the release of funds for each school in the respective Districts must be accompanied by:
  - (a) A statement showing budget amounts and estimated amount of funds required for each activity in the respective benefiting schools.
  - (b) Bank information such as name of the bank, account number, account name and full address for non-commingled bank accounts opened for each school and District.
3. Funds will be released to each of the respective schools and Districts as follows:
  - USAID concurs to the release of funds to the respective schools' bank accounts promptly upon receipt and approval of the request for the release of funds from MOE. The funds that will be managed at MOE headquarters and at the District level. Monitoring and evaluation will also follow the same procedure as above.
  - The MOF will notify USAID whenever the funds are released with the date and amount of the release.
  - Separate statement of expenditures for each District and schools must be submitted to USAID and the MOF within 15 days after the end of the reporting quarter, certified by the authorized representative of the MOE and supported by a progress report on construction activities showing description and number and/or percentage of various units completed. The progress report must be certified by the USAID and the MOE technical representatives stating that the number of reported units have been satisfactorily completed and/or constructed according to specifications.
4. MOF must ensure that all funds released from the Paymaster General (PMG) account are directly transferred to the respective USAID/GOK North Eastern Province Primary Schools Infrastructure Project Ministerial, District and school bank accounts to facilitate smooth flow of funds..
5. Once District Education Boards receive notice of the initial funding, they shall commence procurement within 14 days to avoid delays in implementation of the project.
6. Funds disbursed for North Eastern Province Primary Schools Infrastructure Project will be strictly used for purposes agreed upon in the approved proposal.

6. Funds disbursed for North Eastern Province Primary Schools Infrastructure Project will be strictly used for purposes agreed upon in the approved proposal.

7. MOE must maintain proper accounting records and supporting original documents (such as receipts, paid invoices, delivery notes, copies of contracts, purchase orders, etc) of all costs charged to this program and make such records and documents available to the USAID, MOF and Auditor General and Controller for review or audit at any time.

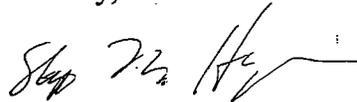
8. Any unused funds at the end of the program must be returned to the MOF for depositing to the PMG account for other agreed-upon uses.

**AUDITS:** Funds under this program are subject to the audit by the Auditor General and Controller in accordance with the Government of Kenya's Exchequer and Audit guidelines. One copy of the audit report should be provided to USAID.

**Monitoring and Evaluation:** USAID and MOE will further discuss the monitoring and evaluation plan and implementation guide lines.

We thank you for your continued cooperation.

Sincerely,



Stephen Haykin  
Mission Director  
USAID/Kenya

Cc: Mrs. Teresiah M. Gathara  
American Desk Officer  
External Resources Department  
Ministry of Finance  
P.O. Box 30007  
Nairobi

Mr. Evans Mwai  
Controller & Auditor General  
Tel: 340099.

Drafted by: PDA: CJuma (11Oct06)

Clearance:

---

PDA: NAli DRAFT Date: 10/18/06

EDU: Swright S. Swright Date: 10/12/2006

PDA: DAsmith: AMP Date: 10/20/06

Cont: RAmin: B Date: 10/14/06



# USAID | KENYA

FROM THE AMERICAN PEOPLE

CHRON COPY  
Infrastructure of the file

21 APR 2005

The Permanent Secretary  
Ministry of Finance  
P.O. Box 30007  
Nairobi

Attn: Ms. Emma Mburu  
U.S. Desk Officer, ERD

**SUBJECT: DONOR COMMITMENT FOR GOK ANNUAL DEVELOPMENT ESTIMATES AND FORWARD BUDGET – FY 2005/06 THROUGH FY 2007/08**

Dear Emma:

In response to the GOK's Donor Commitment budget for FY 2005/06 through FY 2007/08, USAID is submitting the following commitments both in AIA and Revenue to be included in the Annual Development Estimates. Please note that all Revenue amounts are from the funds held in the Trust Local Currency account 01-010-E394 at the Central Bank of Kenya. In addition to this programming letter, individual Implementation Letters will be issued for all Revenue amounts outlining the activity descriptions and the accounting and disbursement procedures to be followed by each of the implementing agencies receiving the local currency funding. For FY 2005/06, we propose the following activities to be reflected in the Budget:

**REVENUE:**

<u>Activity</u>	<u>Ministry</u>	<u>Amount in KSh.</u>
Tegemeo Institute (Egerton University) Agr. Policy SRA	MOA	15,000,000
Kenya Agr. Research Institute (KARI) Maize and Dairy Research	MOA	15,000,000
KARI Nutri-business	MOA	5,000,000
Kenya Maize Devt. Program-ACDI/VOCA	MOA	11,000,000
Kenya Horticulture Devt. Program-HDC	MOA	12,000,000
Kenya Business Devt. Services Program-KBDS Fisheries	MOLFD	12,000,000
Kenya Dairy Devt. Program-(ABS/TCM)	MOLFD	30,000,000
North Eastern Province Primary Schools Infrastructure Program	MOEST	130,000,000
Export Promotion Council	MOTI	40,000,000
Department of Industry	MOTI	10,000,000
<b>REVENUE GRAND TOTAL:</b>		<b>280,000,000</b>

Detailed project/activities descriptions for the Revenue Amounts above:

1. Ministry of Agriculture: Tegemeo Institute for Agriculture Policy and Development, Egerton University; Ksh. 15,000,000 (fifteen million) will be allocated to Tegemeo Institute to support to the SRA fast track legal and regulatory policy reform; to update Farm Budget Book; conduct two commodity market surveys to establish how markets are working; begin preparation for a new household panel data in collaboration with Central Bureau of Statistics (CBS); and to prepare an Authoritative Data Compendium of existing data on the agricultural sector.
2. Ministry of Agriculture: (a) Kenya Agricultural Research Institute. Ksh. 15,000,000 (fifteen million) will be used to support KARI's research work on developing new maize varieties resistant to diseases. (b) Ksh. 5,000,000 (five million) will be used to support Women's Nutri-Business Project. This project implemented by KARI works with women to identify locally available nutrient-rich foods, tests these foods to establish the right nutrient balance, and trains women to process and package them for sell. Funds will be used specifically to develop products suitable for people living with HIV/AIDS. This will be done by testing existing products for their suitability, and upgrading/fortifying them to meet requirements.
3. Ministry of Agriculture: ACDI/VOCA; Ksh. 11,000,000 (eleven million) will be used to support a Model Warehouse Receipt System for maize farmers in Nakuru and to buy equipment such as Moisture Metres/Spiles/Weighing Scales and chisel ploughs for smallholder farmer groups.
4. Ministry of Agriculture: Horticulture Development Centre; Large quantities of mangos are currently being produced in the Tana River area that does not reach the market and processors. The poor feeder road conditions in the area are the main cause of the produce not reaching the market. To address market accessibility constraints, USAID through HDC will use Ksh. 12,000,000 (twelve million) to purchase tractors and other equipment for maintaining feeder roads for smallholder mango farmers. The equipment will be managed by a local CBO in Tana River delta area.
5. Ministry of Livestock and Fisheries Development: Ksh. 12,000,000 (twelve million) will be for potential BDS activities to reduce poverty and HIV/AIDS ravages amongst the Lake Victoria fish community. The funds will be used to expand local savings institutions, increase access and use of legal fishing gear, work with women on improving their access to markets for "omena" fish, develop cool box technologies for fishermen and develop sustainable ice distribution systems to improve quality of fish during transport.
6. Ministry of Livestock and Fisheries Development: Ksh. 30,000,000 (thirty million); The Kenya dairy industry has been largely established on world-class bovine genetics and genetic improvement activities are on going under the current USAID funded Kenya Dairy Development Program (KDDP). While Kenya has a sound genetic foundation, a major limitation is in herd management particularly the aspect of nutrition and feeding. To enhance project impact, the funds will be allocated to African Breeders Service/Total Cattle Management (ABS/TCM) to allow them to continue to carry out training of artificial inseminators and in training farmers best practices on animal husbandry, cattle nutrition, management and record keeping.

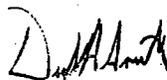
7. Ministry of Education: Ksh.130,000,000 (one hundred and thirty million) to support the on-going North Eastern Provinces School Rehabilitation Program. This brings the total committed under this program to Ksh. 280,000,000 (two hundred and eight million). These funds will be used to develop infrastructure facilities in primary schools, e.g. classrooms, latrines, dining halls, dormitories, staff houses and purchasing of school desks and finishing of the dormitories.

8. Ministry of Trade and Industry: Ksh. 50,000,000 (fifty million) to support trade capacity building in the Departments of Industry and Export Promotion Council. a) Ksh. 10,000,000 (ten million) will be used to support Department of Industry's computerization of industrial information database, establish a centre for analyzing trade business data and digitizing Registrar of Industry's database, and b) Ksh.40,000,000 (forty million) to support EPC's program focusing on increasing Kenya exports to the U.S. market. These funds will be used to expand trade information and market intelligence, enhance EPC's infrastructure through installation of information materials security system, purchase of additional book shelves, display stands, cabinets and other organisational materials.

In addition to the local currency revenue amounts above, Attachment I of this letter is the total projected budget for GOK FY 2005/06 through FY 2007/08 for both Revenue and AIA for all proposed USAID activities.

If you concur with our proposed programming, please so indicate by sending us a letter. Thank you for continued cooperation.

Sincerely,



Dwight A. Smith  
Acting Mission Director

Cc:

Prof. Karega Mutahi  
Permanent Secretary  
Ministry of Education,  
Science & Technology  
P.O. Box 30040  
Nairobi

Dr. Nehemiah K. Ngeno  
Permanent Secretary  
Ministry of Trade and Industry  
P.O. Box 30430  
Nairobi

Mr. James Ongwae  
Permanent Secretary  
Ministry of Agriculture  
P.O. Box 30028  
Nairobi

---

Mr. David Stower  
Permanent Secretary  
Ministry of Livestock and Fisheries Development  
P.O. Box 30028  
Nairobi

Mr. Matanda Wabuye  
Chief Executive  
Export Promotion Council  
P.O. Box 40247  
Nairobi

---

**GOK ANNUAL DEVELOPMENT BUDGET - - FY2005-FY2008**

USAID									
DONOR CODE	PROJECT NAME	VOTE CODE	2005/2006			2006/2007		2007/2008	
			FUND TYPE GRANT/LOAN	AIA	REVENUE	AIA	REVENUE	AIA	REVENUE
220	Coast Development Program - Coast Development Authority (Microenterprise)	9	Grant	47,353,490	-	35,334,010	-	-	-
220	Increased Rural Household Income - KIPPRA (Microenterprise)	6	Grant	16,000,000	-	10,000,000	-	-	-
220	Increased Rural Household Income - Tegemeo Institute (Egerton University - Agr. Policy/SRA)	31	Grant	66,193,425	15,000,000	75,000,000	-	40,000,000	-
220	Increased Rural Household Income - Seed Trade Association of Kenya (CMRT/STAK)	31	Grant	9,450,000	-	9,750,000	-	6,750,000	-
220	Increased Rural Household Income - KARI (Dairy, Horticulture & Maize)	10	Grant	9,000,000	15,000,000	15,300,000	-	15,000,000	-
220	Increased Rural Household Income - KARI - (Biotechnology)	10	Grant	17,459,995	-	15,000,000	-	15,000,000	-
220	Increased Rural Household Income - KARI - (Nutribusiness)	10	Grant	-	5,000,000	-	-	-	-
220	Increased Rural Household Income - KEPHIS Technical Assistance for Seed Certification - Horticulture, Maize & ADSP)	10	Grant	17,306,100	-	15,000,000	-	7,500,000	-
220	Increased Rural Household Income - Ministry of Cooperative Devpt. & Marketing Capacity Building Program	22	Grant	2,565,000	-	1,500,000	-	750,000	-
220	Increased Rural Household Income - Ministry of Trade and Industry - Capacity Building Trade & Industry Department	16	Grant	2,250,000	-	2,400,000	-	1,500,000	-
220	Increased Rural Household Income - Cooperative College of Kenya	22	Grant	3,213,000	-	-	-	-	-
220	Increased Rural Household Income - Kenya Dairy Training Institute - Ministry of Livestock & Fisheries Development		Grant	1,417,500	-	-	-	-	-
220	Increased Rural Household Income - Kenya Dairy Board Ministry of Livestock & Fisheries Development		Grant	1,552,500	-	-	-	-	-
220	Increased Rural Household Income - Kenya Dairy Development Program - Ministry of Livestock & Fisheries Development		Grant	2,092,500	-	750,000	-	-	-
220	Increased Rural Household Income - Kenya Horticulture Development Program - Ministry of Agriculture	10	Grant	1,687,500	-	1,125,000	-	-	-
220	Increased Rural Household Income - Kenya Maize Development Program - Ministry of Agriculture	10	Grant	1,687,500	-	1,125,000	-	-	-
220	Ministry of Agriculture - Kenya Maize Development Program - ACIDI/VOCA	10	Grant	-	11,000,000	-	-	-	-

**GOK ANNUAL DEVELOPMENT BUDGET - - FY2005-FY2008**

USAID									
DONOR CODE	PROJECT NAME	VOTE CODE	2005/2006			2006/2007		2007/2008	
			FUND TYPE	AIA	REVENUE	AIA	REVENUE	AIA	REVENUE
			GRANT/LOAN						
220	Ministry of Agriculture - Kenya Horticulture Development Program - KHDP	10	Grant	-	12,000,000	-	-	-	-
220	Ministry of Livestock and Fisheries - Kenya Business Development Services Program - KBDS (ABS/TCM)		Grant	-	12,000,000	-	-	-	-
220	Ministry of Agriculture - Kenya Dairy Development Program - KDDP	10	Grant	-	30,000,000	-	-	-	-
	<b>Sub Total</b>		<b>Totals</b>	<b>199,228,510</b>	<b>100,000,000</b>	<b>182,284,010</b>		<b>86,500,000</b>	
220	Natural Resources Management - Coast Development Authority Program - Marine Initiative - Ministry of Regional Development	9	Grant	11,700,000	-	12,000,000	-	9,500,000	-
220	Natural Resource Management - National Museums Kipepeo Project (Malindi) - Ministry of Home Affairs	5	Grant	10,000,000	-	8,250,000	-	7,000,000	-
220	Natural Resources Management -KWS - Ministry of Natural Resources	21	Grant	34,000,000	-	36,500,000	-	32,000,000	-
220	Natural Resources Management - Forest Dept - Ministry of Natural Resources	21	Grant	24,000,000	-	21,000,000	-	15,000,000	-
220	Natural Resources Management - KEFRI - Ministry of Natural Resources	21	Grant	7,500,000	-	-	-	-	-
220	Natural Resources Management - NEMA - Ministry of Natural Resources	21	Grant	14,000,000	-	11,100,000	-	7,000,000	-
220	Natural Resources Management - Ministry of Lands: Land use policy	36	Grant	8,000,000	-	-	-	-	-
	<b>Sub Total</b>			<b>109,200,000</b>		<b>88,850,000</b>		<b>70,500,000</b>	
220	Kenya Medical Supplies Association (KEMSA) - Ministry of Health	11	Grant	95,000,000	-	95,000,000	-	50,000,000	-
220	Ministry of Health, Post abortion Care	11	Grant	-	-	-	-	-	-
220	Ministry of Health, NASCOP Advisor	11	Grant	10,000,000	-	10,000,000	-	10,000,000	-
220	Ministry of Health, DRH CA position	11	Grant	-	-	-	-	-	-
220	GIS&Lan Database for MOH&CBS (NEW ITEM)	11	Grant	8,000,000	-	9,000,000	-	9,000,000	-
220	Ministry of Education Science & Technology - Integrating HIV/AIDS In Education Strategy	31	Grant	22,500,000	-	20,000,000	-	20,000,000	-
220	Ministry of Education Science & Technology (KNUT)	31	Grant	20,000,000	-	20,000,000	-	20,000,000	-
220	Ministry of Planning and National Development HIV/AIDS Advisor	6	Grant	5,000,000	-	5,000,000	-	5,000,000	-
	<b>Sub Total</b>			<b>180,500,000</b>		<b>159,000,000</b>		<b>114,000,000</b>	
220	Democracy & Governance - Department of Public Prosecution (Technical Assistance & Capacity Building)	25	Grant	110,250,000	-	78,750,000	-	40,000,000	-

**GOK ANNUAL DEVELOPMENT BUDGET - - FY2005-FY2008**

USAID									
DONOR CODE	PROJECT NAME	VOTE CODE	FUND TYPE GRANT/LOAN	2005/2006		2006/2007		2007/2008	
				AIA	REVENUE	AIA	REVENUE	AIA	REVENUE
220	Democracy & Governance - Ministry of Justice & Constitutional Affairs - Technical Assistance Support	17	Grant	18,500,000	-	-	-	-	-
220	Democracy & Governance - Office of the President - Department of Arid Lands		Grant**	-	-	17,000,000	-	-	-
220	<b>Sub Total</b>			<b>128,750,000</b>	<b>-</b>	<b>95,750,000</b>	<b>-</b>	<b>40,000,000</b>	<b>-</b>
220	Education Sector - Ministry of Education Science & Technology -Infrastructure Support for North Eastern Province Primary Schools	31	Grant	-	130,000,000	-	-	-	-
220	Education Sector -Policy and Investment	31	Grant	22,940,000	-	14,800,000	-	14,800,000	-
220	Education Sector -Teacher Training	31	Grant	51,800,000	-	37,000,000	-	37,000,000	-
220	<b>Sub Total</b>		<b>Grant</b>	<b>74,740,000</b>	<b>130,000,000</b>	<b>51,800,000</b>	<b>-</b>	<b>51,800,000</b>	<b>-</b>
220	Ministry of Trade & Industry - Export Promotion Council	16	Grant	-	40,000,000	-	-	-	-
220	Ministry of Trade and Industry - Dept. of Industry	16	Grant	-	10,000,000	-	-	-	-
220	<b>Sub Total</b>		<b>Grant</b>	<b>-</b>	<b>50,000,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
	<b>Grand Total</b>			<b>672,418,510</b>	<b>280,000,000</b>	<b>577,684,010</b>	<b>-</b>	<b>362,800,000</b>	<b>-</b>

p:\pda\gok\lcl\gok annual dev budfy04-08 03-16-05