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UNITED STATES OF AMERICA  
AGENCY FOR INTERNATIONAL DEVELOPMENT  
U.S.A.I.D. MISSION TO KENYA

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October 28, 2004

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

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

**Subject: Release of Local Currency for the North Eastern Province Rehabilitation Program under the USAID Memorandum of Understanding – The Kenya Enterprise Development Program Fund for Economic Development Support Implementation Letter No. 1**

Dear Mr. Kinyua and Mr. Karega:

This implementation letter is in response to your letters dated September 16, 2004 (Ref C/1279/3) and October 1, 2004 (EA/FA 9/03X) respectively requesting USAID to issue an Implementation Letter to facilitate the release of subject funds.

We have reviewed and approved the proposal for the North Eastern Rehabilitation Program in the total amount of not to exceed Kenya Shillings 150,000,000 (One Hundred and Fifty Million Shillings) and agreed to go forward with the release of funds subject to the accounting and reporting procedures agreed between USAID and Ministry of Education, Science and Technology (MOEST) officials as outlined below.

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

1. The MOEST will request in writing the release of funds to the Permanent Secretary, Ministry of Finance (MOF) and USAID for each of the approved districts. Upon receipt of the request from MOEST, USAID will issue an implementation letter authorizing MOF to release the funds.

2. The MOEST request for release of funds for each district must be accompanied by:
  - (a) a statement showing budget amounts and estimated amount of funds required for each quarter broken-down by each budget line item (Attachment A); and
  - (b) bank information such as account number, account name and bank's name and full address for non-commingling bank account opened for each district.
3. Funds will be released on a semi-annually basis as follows:
  - USAID will request the MOF to release the funds for the first quarter to respective district bank accounts promptly upon receipt and approval of the request for the release of funds from MOEST.
  - The MOF will notify USAID each time the funds are released with the date and amount of the release.
  - Subsequent semi-annually releases of funds will be authorized upon receipt of a Statement of Expenditures (Attachment B) accounting and liquidating the funds released in the previous quarter and a request for release of funds for the next quarter.
  - Separate Statement of Expenditures for each district must be submitted to USAID and the MOF within fifteen days after the end of the reporting quarter, certified by the authorized representative of the MOEST 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 MOEST 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-NEPRP district bank accounts to facilitate smooth flow of funds.
5. No release of funds will be effected from the PMG account without USAID concurrence.
6. Once District Education Boards receive the initial funding, open and competitive tendering should commence within 14 days to avoid delays in implementation of the program.

7. Funds disbursed for North Eastern Rehabilitation Program will be strictly used for purposes agreed upon in the approved proposal.
8. MOEST 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.
9. 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 MOEST will further discuss the monitoring and evaluation plan in the next two weeks. USAID will then issue a separate implementation letter outlining the agreed upon monitoring and evaluation plan with inputs from both parties.

I'm looking forward to your prompt response and thank you for your continued cooperation.

Sincerely,



Kiertisak Toh  
Mission Director

Cc: Ms. Emma Mburu  
External Resources Department  
Ministry of Finance  
P.O. Box 30007  
Nairobi

# REQUEST FOR ADVANCE FUNDS

IL OR GRANT NUMBER:

PERIOD COVERED:

NO;	BUDGET LINE ITEM	1 <sup>st</sup> MONTH	2 <sup>nd</sup> MONTH	3 <sup>rd</sup> MONTH	TOTAL
1					
2					
3					
4					
5					
6					
7					
8					
	TOTAL				

The undersigned hereby certifies:

- 1 That the above represents the best estimates of funds needed for expenditures to be incurred over periods indicated.
- 2 That appropriate refunds of credit to the Grant will be made in the event funds are not expended.
- 3 That appropriate refund will be made in the event of disallowance in accordance with the terms of the grant.

BY: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

# STATEMENT OF EXPENDITURE

PROJECT NO;

IL OR GRANT NUMBER:

PERIOD COVERED:

NO;	APPROVED BUDGET LINE ITEM	BUDGET AMOUNT		DISBURSEMENT			
		US Dollar Per Grant	Local Currency ( )	Cummulative thru' ( )	This period From: _____ To: _____	Cummulative thru' ( )	Estimated for Next _____ days
1							
2							
3							
4							
5							
6							
7							
8							
	TOTAL						

I certify that this report is true in all respects:

That all disbursement have been made for the purpose and conditions of the grant agreement.

That payment is due and has not previously been requested.

That records and supporting documents , e.g receipts , invoices, inventory records etc are on file in the office of \_\_\_\_\_ and are available for review by U.S Government representative upon request.

Signature: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

Drafted by: PDA: NAli (das 26Oct04)

Clearance:

PDA: CJuma	<u>Draft</u>	Date: <u>20 Oct 04</u>
PDA: DAsmith:	<u>AM</u>	Date: <u>10/26/04</u>
Cont: RAmin:	<u>[Signature]</u>	Date: <u>10/26/04</u>