Ambassador Libeat Mfiumukeko  
Secretary General  
East African Community  
EAC Close, Afrika Mashariki Road  
P.O. Box 1096  
Arusha  
United Republic of Tanzania

Re: Grant No.TF0A5857  
Engaging Private Sector for Green Growth in the Lake Victoria Basin Project  
Letter Agreement

Dear Ambassador Mfiumukeko:

In response to the request for financial assistance made on behalf of East African Community ("Recipient"), I am pleased to inform you that the International Bank for Reconstruction and Development ("World Bank"), acting as administrator of grant funds provided by various donors ("Donor(s)" under the Africa NDF Climate Change Program Single-Donor Trust Fund, proposes to extend to the Recipient for the benefit of the Participating Countries ("Participating Member Countries"), a grant in an amount not to exceed three million two hundred ten thousand Euros (EUR 3,200,000) ("Grant") on the terms and conditions set forth or referred to in this letter agreement ("Agreement"), which includes the attached Annex, to assist in the financing of the project described in the Annex ("Project").

This Grant is funded out of the abovementioned trust fund for which the World Bank receives periodic contributions from the Donor. In accordance with Section 3.02 of the Standard Conditions (as defined in the Annex to this Agreement), the World Bank’s payment obligations in connection with this Agreement are limited to the amount of funds made available to it by the Donor under the abovementioned trust fund, and the Recipient’s right to withdraw the Grant proceeds is subject to the availability of such funds.

The Recipient represents, by confirming its agreement below, that it is authorized to enter into this Agreement and to carry out the Project in accordance with the terms and conditions set forth or referred to in this Agreement.
Please confirm the Recipient's agreement to the foregoing by having an authorized official of the Recipient sign and date the enclosed copy of this Agreement, and returning it to the World Bank.

Very truly yours,

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

By
Ahmadou Moustapha Ndiaye
Director for Regional Integration
Central, South & East Africa Region

AGREED:

EAST AFRICAN COMMUNITY

By
Authorized Representative
Name: Ambassador Liberat Mumbukeko
Title: Secretary General

Date: 03/10/2017

Enclosures:


(2) Disbursement Letter of the same date as this Agreement, together with the “Disbursement Guidelines for Investment Project Financing”, dated February 2017
1.01. **Standard Conditions.** The Standard Conditions for Grants Made by the World Bank out of Various Funds dated February 15, 2012 ("Standard Conditions"), with the modifications set forth in Section I of the Appendix to this Agreement, constitute an integral part of this Agreement.

1.02. **Definitions.** Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the Standard Conditions or in this Agreement.

(a) "Environmental and Social Management Framework" or "ESMF" means the Recipient’s framework of same name dated 6 March 2008.

(b) "Environmental and Social Management Plan" and "ESMP" means the plan to be prepared and adopted by the Recipient under the Project activities, providing appropriate mitigation, monitoring and institutional measures designed to mitigate potential adverse environmental impacts through the Project activities, offset them, reduce them to acceptable levels or enhance positive impacts, as the same may be amended from time to time with the agreement of the World Bank.

(c) "Kenya National Cleaner Production Centre" or "KNCPC" means the Management Contractor referred to Section 2.03 C of the Annex to the Agreement.

(d) "Lake Victoria Basin" or "LVB" means the region located in the upper Nile River Basin that contain Lake Victoria and its tributaries.

(e) "Lake Victoria Basin Commission" or "LVBC" means the authority mandated by the Protocol to coordinate programs and other interventions by the EAC Partner States in the LVB.

(f) "Management Contract" means the contract to be executed between the Recipient and Management Contractor in accordance with the provisions of Section 2.03 (C) of the Annex to the Agreement.

(g) "Management Contractor" means the Kenya National Cleaner Production center or KNCPC referenced in Section 2.03 (C) of the Annex to the Agreement.

(h) "Project Implementing Entity" or "PIE" means the Lake Victoria Basin Commission.

(i) "Participating Member Countries" means the following Member Countries: Republic of Burundi, Republic of Kenya, Republic of Rwanda, Republic of Tanzania and Republic of Uganda.

(j) "RECP" means resource-efficient and cleaner production.

(k) "SMEs" means small and medium enterprises.
(l) "Training" means the reasonable costs associated with training and workshops participation under the Project, consisting of travel and subsistence costs for training participants, costs (other than consulting services) associated with securing the services of trainers and presenters, rental of training facilities, translation and interpretation services, preparation and reproduction of training materials.

Article II
Project Execution

2.01. Project Objectives and Description. The objective of the Project is to increase the use of and investment in resource-efficient and cleaner production technologies by private enterprises in the Lake Victoria Basin.

The Project consists of the following parts:

1. Scaling-up the RECP activities and expanding partnership.

(a) Provide support to expand the scope of engagement for a broader and more sustainable program of RECP activities through: (i) expanding training of targeted industries on cleaner production; (ii) undertaking cleaner production in-plant assessments; (iii) conducting award events to promote recognition and peer-learning; (iv) continued monitoring and mapping of industries and effluents to assess the environmental impact of the program and the level of compliance with regional effluent standards development under the LVPM II; and (v) assessing options for and promoting symbiotic waste exchange between industries.

(b) Provide support to expand partnership to include SMEs through: (i) strengthening knowledge products such as industry-specific manuals and guides for simple green technologies; (ii) developing institutional knowledge networks to establish accessible and interactive on-line resource center; (iii) conducting workshops for raising awareness and study tours for knowledge exchange; (iv) introducing partnerships between local clean technology SMEs and investor for technology development; (v) building capacity of industry associations to support members in RECP.

2. Strengthening the facilitating environment for RECP.

(a) Provide support to enable environment for cleaner production through: (i) strengthening enforcement of environmental regulations by undertaking institutional assessment and capacity building enforcement of environmental regulations; (ii) carrying environmental performance disclosure through data collection and monitoring and making information related to environmental performance of the industries available to the public.

(b) Provide support to develop a sustainable financial mode/market by undertaking market survey and initiating dialogues to explore potential financial incentive mechanism to support RECP to be considered in the next phase of LVEMP.
3. **Piloting Green Growth instruments.**

Carry out analysis of opportunities for greening agricultural value chains and provide support to develop green supply chain pilots.

2.02. **Project Execution Generally.** The Recipient declares its commitment to the objectives of the Project. To this end, the Recipient shall cause the Project to be carried out by LVBC ("Project Implementing Entity") in accordance with the provisions of (a) Article II of the Standard Conditions; (b) the “Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants”, dated October 15, 2006 and revised in January 2011 and as of July 1, 2016 ("Anti-Corruption Guidelines").

2.03. **Institutional and Other Arrangements.**

**A. Institutional Arrangements**

1. Without limitation upon the generality of Section 2.01 of this Agreement, the Project Implementing Entity shall be responsible for the management of and the overall implementation of the project, including financial management, procurement and monitoring and evaluation.

2. The Recipient shall take all actions necessary on its part to ensure that the Project Implementing Entity is maintained, throughout the implementation of the project with: (i) mandate, functions and resources satisfactory to the World Bank; and (ii) adequate staff with qualifications and experience satisfactory to the World Bank, all for purposes of ensuring a prompt and efficient implementation of the Project.

**B. Subsidiary Agreement**

1. The Recipient shall make the proceeds of the Grant available to the Project Implementing Entity on a grant basis under a subsidiary agreement between the Recipient and the Project Implementing Entity, under terms and conditions approved by the World Bank ("Subsidiary Agreement"), including terms whereby the Project Implementing Entity shall be required to:

   (i) carry out the Project with due diligence and efficiency and in accordance with sound technical, economic, financial, managerial, environmental and social standards and practices satisfactory to the World Bank, including in accordance with the provisions of the Anti-Corruption Guidelines;

   (ii) provide, promptly as needed, the resources required for the purpose;

   (iii) procure the goods and services to be financed out of the Grant in accordance with the provisions of this Agreement;

   (iv) maintain policies and procedures adequate to enable it to monitor and evaluate in accordance with indicators acceptable to the World Bank, the progress of the Project and the achievement of its objectives;
(v) (A) maintain a financial management system and prepare financial statements in accordance with consistently applied accounting standards acceptable to the World Bank, both in a manner adequate to reflect the operations, resources and expenditures related to the Project; and

(B) at the World Bank's or the Recipient's request, have such financial statements audited by independent auditors acceptable to the World Bank, in accordance with consistently applied auditing standards acceptable to the World Bank, and promptly furnish the statements as so audited to the Recipient and the World Bank;

(vi) prepare and furnish to the Recipient and the World Bank all such information as the Recipient or the World Bank shall reasonably request relating to the foregoing; and

2. The Recipient shall obtain rights adequate to protect its interests and those of the World Bank and shall perform its obligations and exercise said rights under the Subsidiary Agreement in such a manner as to protect the interests of the Recipient and the World Bank and to accomplish the purposes of the Grant. Except as the World Bank shall otherwise agree, the Recipient shall not assign, amend, abrogate or waive the Subsidiary Agreement or any of its provisions.

C. Management Contract for Part 1 of the Project

1. To facilitate the carrying out of Part 1 of the Project, the Recipient shall cause the PIE to enter into a management contract ("Management Contract") directly with Kenya National Cleaner Production Centre (KNCPC) (Management Contractor") whose qualifications, experience, terms and conditions shall be satisfactory to the World Bank and in accordance with the provisions of Section 2.05 of this Schedule to be responsible for the carrying out of Part 1 of the Project as described in Section 2.01.1 of Article II of the Annex to the Agreement.

2. Without limitation upon the foregoing, the PIE shall, through the terms of the Management Contract, obtain rights adequate to protect the interests of the Recipient and the World Bank, including the right to require the Management Contractor to:

   (a) ensure that the activities under Part 1 of the Project are carried out with due diligence and efficiency and in accordance with sound technical, economic, financial, managerial, environmental and social standards and practices satisfactory to the World Bank, including without limitation to the generality of the foregoing, in accordance with the provisions of the Anti-Corruption Guidelines applicable to recipients of Grant proceeds other than the Recipient and the Safeguard Instruments;

   (b) finalize under the terms of reference acceptable to the Recipient and the World Bank, the detailed arrangements and procedures for the implementation of Part 1 of the Project.

   (c) maintain policies and procedures adequate to enable the Management Contractor to monitor and evaluate in accordance with indicators acceptable to the World Bank, the progress of the activities carried out under Part 1 of the Project and the achievement of its objectives;
(d) maintain a financial management system and prepare financial statements in accordance with consistently applied accounting standards acceptable to the World Bank, both in a manner adequate to reflect the operations, resources and expenditures related to the activities carried out under Part I of the Project, and (ii) at the World Bank's or the Recipient's request, have such financial statements audited by independent auditors acceptable to the World Bank, in accordance with consistently applied auditing standards acceptable to the World Bank and furnish promptly to the Recipient and the World Bank the financial statements as so audited;

(e) enable the Recipient and the World Bank to inspect the activities carried out under Part I of the Project and any relevant records and documents; and prepare and furnish to the Recipient and the World Bank such information as the Recipient or the World Bank shall reasonably request relating to the foregoing.

3. The Recipient shall cause the PIE to exercise its rights and carry out its obligations under the Management Contract in such a manner as to protect the interest of the Recipient and the World Bank and to accomplish the purposes of the Grant.

4. Except as the World Bank shall otherwise agree, the PIE shall not assign, amend, abrogate or waive the Management Contract or any of its provisions.

D. Environmental and Social Safeguards

1. The Recipient shall cause the Project Implementing Entity to implement the Project in accordance with the relevant Safeguards Instruments.

2. (a) If any activity under the Project would require the adoption of any Supplemental Social and Environmental Safeguard Instrument, the Recipient shall cause the Project Implementing Entity to:

   (i) prepare: (A) such Supplemental Social and Environmental Safeguard Instrument in accordance with the applicable Safeguard Instrument; (B) furnish such Supplemental Social and Environmental Safeguard Instrument to the World Bank for review and approval; and (C) thereafter, adopt such Supplemental Social and Environmental Safeguard Instrument prior to implementation of the activity; and

   (ii) thereafter take such measures as shall be necessary or appropriate to ensure full compliance with the requirements of such Supplemental Social and Environmental Safeguard Instrument.

(b) if any activity under the Project would involve Affected Persons, ensure that no displacement (including restriction of access to legally designated parks and protected areas) shall occur before resettlement measures under a Supplemental Social and Environmental Safeguard Instrument prepared in accordance with the RPF, including, in the case of displacement, full payment to Affected Persons of compensation and of other assistance required for relocation, have been taken.
3. Without limitation upon its other reporting obligations under this Grant Agreement, the Recipient shall for the Safeguards Instruments, including each Supplemental Social and Environmental Safeguard Instrument, regularly collect, compile and furnish to the World Bank reports in form and substance satisfactory to the World Bank, on the status of compliance with such Instruments including each Supplemental Social and Environmental Safeguard Instrument, as part of the Project Reports, giving details of:

(a) measures taken in furtherance of the Safeguards Instruments including each Supplemental Social and Environmental Safeguard Instrument;

(b) conditions, if any, which interfere or threaten to interfere with the smooth implementation of the Safeguards Instruments including each Supplemental Social and Environmental Safeguard Instrument; and

(c) remedial measures taken or required to be taken to address such conditions.

4. In the event that any provision of the Safeguards Instruments shall conflict with any provision under this Grant Agreement, the provisions of this Grant Agreement shall prevail.

5. The Recipient shall regularly review the effective use of the Safeguards Instruments as part of the monitoring and evaluation system for the Project.

2.04. Project Monitoring, Reporting and Evaluation. (a) The Recipient shall monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 2.06 of the Standard Conditions and on the basis of indicators acceptable to the World Bank. Each Project Report shall cover the period of six months, and shall be furnished to the World Bank not later than one month after the end of the period covered by such report.

(b) The Recipient shall prepare the Completion Report in accordance with the provisions of Section 2.06 of the Standard Conditions. The Completion Report shall be furnished to the World Bank not later than six months after the Closing Date.

2.05. Financial Management. (a) The Recipient shall ensure that a financial management system is maintained in accordance with the provisions of Section 2.07 of the Standard Conditions.

(b) The Recipient shall ensure that interim unaudited financial reports for the Project are prepared and furnished to the World Bank not later than 45 days after the end of each calendar quarter, covering the quarter, in form and substance satisfactory to the World Bank.

(c) The Recipient shall have the Financial Statements for the Project audited in accordance with the provisions of Section 2.07 (b) of the Standard Conditions. Each such audit of the Financial Statements shall cover the period of one fiscal year of the Recipient. The audited Financial Statements for each such period shall be furnished to the World Bank not later than six months after the end of such period.
2.06. **Procurement**

All goods, non-consulting services and consulting services required for the Project and to be financed out of the proceeds of the Grant shall be procured in accordance with the requirements set forth or referred to in the "World Bank Procurement Regulations for Borrowers under Investment Project Financing" dated July 1, 2016 ("Procurement Regulations"), and the provisions of the Recipient’s procurement plan for the Project ("Procurement Plan") dated May 10, 2017 provided for under Section IV of the Procurement Regulations, as the same may be updated from time to time in agreement with the World Bank.

**Article III**

**Withdrawal of Grant Proceeds**

3.01. **Eligible Expenditures.** The Recipient may withdraw the proceeds of the Grant in accordance with the provisions of: (a) the Standard Conditions; (b) this Section; and (c) such additional instructions as the World Bank may specify by notice to the Recipient (including the "Disbursement Guidelines for Investment Project Financing", dated February 2017, as revised from time to time by the World Bank and as made applicable to this Agreement pursuant to such instructions), to finance Eligible Expenditures as set forth in the following table. The table specifies the categories of Eligible Expenditures that may be financed out of the proceeds of the Grant (“Category”), the allocations of the amounts of the Grant to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category:

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Grant Allocated (expressed in EUR)</th>
<th>Percentage of Expenditures to be Financed (inclusive of Taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Goods, non-consulting services and consulting services, Operating Costs and Training under the Project</td>
<td>3,200,000</td>
<td>100%</td>
</tr>
<tr>
<td><strong>TOTAL AMOUNT</strong></td>
<td><strong>3,200,000</strong></td>
<td></td>
</tr>
</tbody>
</table>

3.02. **Withdrawal Conditions.** Notwithstanding the provisions of Section 3.01 of this Agreement, no withdrawal shall be made for payments made prior to the date of this Agreement.

3.03 **Withdrawal Period.** The Closing Date referred to in Section 3.06 (c) of the Standard Conditions is December 31, 2019.
Article IV
Effectiveness; Termination

4.01 This Agreement shall not become effective until evidence satisfactory to the World Bank has been furnished to the World Bank that the following condition, namely, the Subsidiary Agreement referred to in Section 2.03.B of this Annex has been executed on behalf of the Recipient and the Project Implementing Entity.

Article V
Recipient's Representative; Addresses

5.01. **Recipient's Representative.** The Recipient's Representative referred to in Section 7.02 of the Standard Conditions is its Executive Secretary.

5.02. **Recipient's Address.** The Recipient's Address referred to in Section 7.01 of the Standard Conditions is:

Dr. Ally Said Matano  
Executive Secretary  
East African Community  
Lake Victoria Basin Commission Secretariat  
P.O. Box 1510-40100  
Kisumu, KENYA

Tel: +254-787600000  
Email: matano@lvbcom.org; lvbc@lvbcom.org

6.03. **World Bank's Address.** The World Bank's Address referred to in Section 7.01 of the Standard Conditions is:

International Bank for Reconstruction and Development  
1818 H Street, N.W.  
Washington, D.C.20433  
United States of America

Telex: Facsimile:

248423 (MCI) or  
64145 (MCI)  
1-202-477-6391