

CONFORMED COPY

CREDIT NUMBER 4530-TZ

Financing Agreement

**(Lake Victoria Environmental Management Project II)
(Phase I)**

between

UNITED REPUBLIC OF TANZANIA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated May 22, 2009



CREDIT NUMBER 4530-TZ

FINANCING AGREEMENT

AGREEMENT dated May 22, 2009, entered into between UNITED REPUBLIC OF TANZANIA (“Recipient”) and INTERNATIONAL DEVELOPMENT ASSOCIATION (“Association”).

WHEREAS (A) The Recipients, the Republic of Kenya (“Kenya”) and the Republic of Uganda (“Uganda”) have, pursuant to the Protocol for the Sustainable Development of Lake Victoria Basin dated November 29, 2003, undertaken to co-operate in the joint and efficient management and sustainable utilization of natural resources within the Lake Victoria Basin;

(B) In order to assist in the carrying out of activities aimed at improving the collaborative management of the trans-boundary natural resources of the Lake Victoria Basin and reducing environmental stress in targeted pollution hotspots and selected degraded sub-catchments so as to improve livelihoods of the communities living in the Lake Victoria Basin:

(1) the Recipient has requested the Association to assist in the financing of the project described in Schedule 1 to this Agreement (“Project”);

(2) Kenya and Uganda have each requested the Association to assist it in the financing of activities related to the Project that are designed to further the objectives of this Project and the Protocol (respectively, “Kenya Project” and “Uganda Project”); and

(3) the East African Community (“EAC”) has requested the International Bank for Reconstruction and Development (“Bank”): (A) acting as an implementing agency for the Global Environment Facility; and (B) acting as administrator of various funds made available by the Swedish International Development Agency (“SIDA”); to assist in the financing of activities related to the Project that are designed to further the objectives of this Project and the Protocol (“EAC Project”); and

WHEREAS the Association has agreed, on the basis, *inter alia*, of the foregoing, to extend the Credit to the Recipient upon the terms and conditions set forth in this Agreement:

NOW THEREFORE the Recipient and the Association hereby agree as follows:

ARTICLE I — GENERAL CONDITIONS; DEFINITIONS

- 1.01. The General Conditions (as defined in the Appendix to this Agreement) constitute an integral part of this Agreement.
- 1.02. Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the General Conditions or in the Appendix to this Agreement.

ARTICLE II — FINANCING

- 2.01. The Association agrees to extend to the Recipient, on the terms and conditions set forth or referred to in this Agreement, a credit in an amount equivalent to twenty million seven hundred thousand Special Drawing Rights (SDR 20,700,000) (variously, “Credit” and “Financing”) to assist in financing the project described in Schedule 1 to this Agreement (“Project”).
- 2.02. The Recipient may withdraw the proceeds of the Financing in accordance with Section IV of Schedule 2 to this Agreement.
- 2.03. The Maximum Commitment Charge Rate payable by the Recipient on the Unwithdrawn Financing Balance shall be one-half of one percent (1/2 of 1%) per annum.
- 2.04. The Service Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to three-fourths of one percent (3/4 of 1%) per annum.
- 2.05. The Payment Dates are January 1 and July 1 in each year.
- 2.06. The principal amount of the Credit shall be repaid in accordance with the repayment schedule set forth in Schedule 3 to this Agreement.
- 2.07. The Payment Currency is Dollars.

ARTICLE III — PROJECT

- 3.01. The Recipient declares its commitment to the objectives of the Project and the Program. To this end, the Recipient shall carry out the Project in accordance with the provisions of Article IV of the General Conditions.
- 3.02. Without limitation upon the provisions of Section 3.01 of this Agreement, and except as the Recipient and the Association shall otherwise agree, the Recipient shall ensure that the Project is carried out in accordance with the provisions of Schedule 2 to this Agreement.

ARTICLE IV — REMEDIES OF THE ASSOCIATION

- 4.01. The Additional Events of Suspension consist of the following:
- (a) The Protocol has been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of the: (i) EAC to perform any of its obligations under the GEF Grant Agreement and the Swedish Grant Agreement; and/or (ii) LVB Countries to perform their obligations under their respective Financing Agreements.
 - (b) Any one of the Uganda Financing Agreement, the Kenya Financing Agreement, the GEF Grant Agreement or the SIDA Grant Agreement has failed to become effective by September 30, 2010.
 - (c) The right of any one of: (i) Uganda to withdraw the proceeds of the financing under the Uganda Financing Agreement; (ii) Kenya to withdraw the proceeds of the financing under the Kenya Financing Agreement; or (iii) the EAC to withdraw the proceeds of the financing under the GEF Grant Agreement or the SIDA Grant Agreement, has been suspended, canceled or terminated in whole or in part, pursuant to the terms of the aforesaid agreement.
- 4.02. The Additional Event of Acceleration consists of the following, namely that the event specified in paragraph (b) of Section 4.01 of this Agreement occur.

ARTICLE V — EFFECTIVENESS; TERMINATION

- 5.01. The Additional Conditions of Effectiveness consist of the following:
- (a) The Recipient has established the National Policy Steering Committee and the National Project Coordination Team in accordance with the provisions of Section I.A.1 (a) and Section I.A.2 (b) of Schedule 2 to this Agreement.
 - (b) The Recipient has designated or recruited, a national Project coordinator, an accountant and a procurement officer referred to in Section I.A.2(b) of Schedule 2 to this Agreement for the National Project Coordination Team.
- 5.02. The Effectiveness Deadline is the date ninety (90) days after the date of this Agreement.

ARTICLE VI — REPRESENTATIVE; ADDRESSES

6.01. The Recipient's Representative is its Minister responsible for Finance.

6.02. The Recipient's Address is:

Ministry of Finance and Economic Affairs
P.o. Box 9111
Dar-es-Salaam
Tanzania

Facsimile:

255-222-11-7790
255-222-110326

6.03. The Association's Address is:

International Development Association
1818 H Street, N.W.
Washington, D.C. 20433
United States of America

Cable:

Telex:

Facsimile:

INDEVAS
Washington, D.C.

248423 (MCI)

1-202-477-6391

AGREED at Dar Es Salaam, United Republic of Tanzania, as of the day and year first above written.

UNITED REPUBLIC OF TANZANIA

By /s/ Ramadhani Khijjah

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By/s/ John McIntire

Authorized Representative

SCHEDULE 1

Project Description

The objectives of the Project are to: (i) improve the collaborative management of the trans-boundary natural resources of the LVB for the shared benefits of the Partner States; and (ii) reduce environmental stress in targeted pollution hotspots and selected degraded sub-catchments to improve the livelihoods of communities, who depend on the natural resources of LVB.

The Project constitutes the first phase of the Program, and consists of the following parts:

Part 1. Strengthening of Institutional Capacity for Managing Shared Water and Fisheries Resources

(a) Harmonization of policies and regulatory standards

Carrying out a program to strengthen the Recipient's capacity to develop and implement harmonized regulatory standards for water and fisheries resources, such program to consist of:

- (i) facilitation of the review by the EAC under the EAC Project of the Recipient's national policies and regulatory standards for water and fisheries resources;
- (ii) implementation of recommendations made by the EAC under the EAC Project with a view to harmonizing the Recipient's policies and regulatory standards for water and fisheries with those of the other LVB Countries;
- (iii) development (in coordination with EAC, Kenya and Uganda) and implementation of appropriate regulatory and policy frameworks for the natural resources and environmental management of the LVB; and
- (iv) operationalization of the Fish Levy Trust Fund ("FLTF"); all through the provision of goods, consultants' services, training and Incremental Operating Costs.

(b) Ecosystem Monitoring and Applied Research

Carrying out a program to strengthen the capacity of the Recipient to participate in the LVB ecosystem monitoring and applied research, such program to consist of:

- (i) development (in coordination with the EAC, Kenya and Uganda) of appropriate scientific and socio-economic data gathering protocols;

ecosystem monitoring tools; and data sharing mechanisms for the LVB;
and

- (ii) carrying out priority research (in coordination with the EAC, Kenya and Uganda) related to the management of water, fisheries and land resources with particular focus on trans-boundary and multi-disciplinary issues affecting the LVB; all through the provision of goods, works, consultants' services, training and Incremental Operating Costs.

Part 2. Point Source Pollution Control and Prevention

(a) Rehabilitation and Improvement of Wastewater Treatment

Carrying out a program to reduce point sources pollution from municipal wastewater and improve sanitation services, such program to consist of:

- (i) rehabilitation of selected wastewater treatment facilities;
- (ii) connection of primary treated effluent discharge networks to wetlands;
- (iii) construction of sanitation facilities on selected areas along the shores;
and
- (iv) collection, treatment, and disposal of sludge in selected municipal areas;
all through the provision of goods, works and consultants' services.

(b) Pollution Risk Management and Safety of Navigation:

Establishment of a maritime safety administration unit.

(c) Capacity Building

Carrying out a program to build capacity in the environmental and local authorities for: (i) promoting compliance; and (ii) enforcement of industrial effluent discharge standards developed under Part 1(a) of the Project.

Part 3. Watershed Management

(a) Natural Resource Conservation and Livelihoods Improvement

Provision of Subgrants to Beneficiaries for Subprojects designed to reduce watershed degradation in selected sub-catchments of the Simiyu River and lake shores such Subprojects to include interventions aimed at natural resource conservation and livelihoods improvement.

(b) Community Capacity Building and Participation

Carrying out of a program to mobilize communities and develop their capacities to prepare and implement Subprojects, such program to consist of:

- (i) development and provision of training to community members on the environmental and socio-economic impacts of LV's watershed degradation and on participatory approaches in preparation, implementation, monitoring and evaluation of Subprojects;
- (ii) development of synergies and linkages to other on-going sustainable land management initiatives within the LVB; and
- (iv) development of mechanisms to resolve conflicts among communities on the utilization of shared or common resources; all through the provision of goods, consultants' services, Training and Incremental Operating Costs.

Part 4. Project Coordination and Management

(a) Project Coordination and Communication

Carrying out of a program to strengthen the capacities of NPSC, NPCT, and NTAC in Project management and coordination, such program to consist of:

- (i) development and operationalization of an internal communication system and protocol for sharing information among the implementing agencies and the LVB Countries;
- (ii) refurbishment of office space for the NPCT; and
- (iii) development and implementation of a communication strategy relating to the sustainable use of LVB resources; all through the provision of goods, works, consultants' services and Incremental Operating Costs.

(b) Monitoring and Evaluation

Strengthening the monitoring and evaluation capacities of the implementing agencies at the national and local government level through:

- (i) establishment of a geographical information system-based monitoring and evaluation and management information system linked to the regional hub at LVBC; and
- (ii) collection, analysis, storage, and dissemination of data and information on the Project's performance, outcomes and impact; all through the provision of goods, consultants' services and Incremental Operating Costs.

SCHEDULE 2**Project Execution****Section I. Implementation Arrangements****A. Institutional Arrangements****1. National Policy Steering Committee**

- (a) The Recipient shall at all times during Project implementation, maintain the NPSC, with composition, mandate and resources satisfactory to the Association and with responsibility for: (i) providing national level Project operational policy guidance; (ii) approving national Project investments; (iii) reviewing and approving annual work plans and budgets; and (iv) resolving obstacles to Project implementation. Without limitation to the foregoing, the NPSC shall be headed by the permanent secretary of the MoWI, and its composition shall include permanent secretaries of the Line Ministries.
- (b) The Recipient shall establish and maintain throughout Project implementation, the NTAC with composition, terms of reference and resources satisfactory to the Association, to be responsible for providing technical advice to the NPSC and NPCT relating to the Project. Without limitation to the foregoing, the NTAC shall comprise not more than 15 members, including representatives of the Line Ministries, local government, universities and research institutions, the private sector and non-governmental organizations, all with qualifications and experience satisfactory to the Association.

2. Ministry of Water and Irrigation

- (a) The MoWI shall be responsible for overseeing the overall implementation, monitoring and evaluation of the Project, and providing operational linkage through its national focal point officer with the EAC.
- (b) The Recipient shall establish and maintain, throughout implementation of the Project, the NPCT, within the MoWI, with composition, terms of reference and resources satisfactory to the Association, to be responsible for overall day to day Project implementation, supervision and monitoring and evaluation of the Project. Without limitation on the foregoing, the NPCT shall at all times be supported by competent staff in adequate numbers, including a national Project coordinator, an accountant, a procurement officer, technical specialists/experts in water, fisheries, agriculture, forestry and environment/social sectors, all with qualifications, experience and terms of reference satisfactory to the Association.

3. Local Government Authorities

The Recipient shall, throughout Project implementation, maintain the LGAs in each district, municipality or city, to be responsible for facilitating and/or implementing Project activities under Parts 2 and 3 of the Project.

B. Implementation Covenants

1. Project Implementation Manual

- (a) The Recipient shall ensure that the Project is carried out in accordance with the arrangements and procedures set out in the Project Implementation Manual, provided, however, that in case of any conflict between the arrangements and procedures set out in these manuals and the provisions of this Agreement, the provisions of this Agreement shall prevail.
- (b) Except as the Association shall otherwise agree, the Recipient shall not amend, abrogate or waive any provision of Project Implementation Manual if such amendment, abrogation or waiver may, in the opinion of the Association, materially or adversely affect the implementation of the Project.

2. Harmonization of Water and Fisheries Policies and Regulatory Standards

For purposes of Part 1(a) of the Project, the Recipient shall by not later than June 30, 2012, take all measures on its part to implement the recommendations made by the EAC under the EAC project to harmonize its water and fisheries policies and regulatory standards, in a manner acceptable to the Association.

3. Water Resource Management Plan

The Recipient shall, not later than June 30, 2012, take all measures necessary on its part to adopt and implement the water resource management plan developed by the EAC under Part 1(a)(ii) of the EAC Project, in a manner satisfactory to the Association.

4. Water Releases and Abstractions

The Recipient shall, not later than December 31, 2009, implement the independent and transparent mechanism for monitoring water releases and major abstractions from the Lake Victoria basin water system, established by the EAC under Part 1(a)(ii) of the EAC Project.

5. Fish Levy Trust Fund under Part 1(a) of the Project

The Recipient shall no later than March 31, 2012: (i) review its policies and regulations in order to identify any legal impediments to the operationalization of the

FLTF; and (ii) carry out all measures necessary on its part to operationalize the FLTF in a manner satisfactory to the Association.

6. Consultation, Information Sharing and Cooperation with the EAC, Kenya, and Uganda

Without limitation upon the provisions of Section 4.10 of the General Conditions, the Recipient shall, at all times during Project implementation, and in accordance with the provisions of the EAC Treaty and the Protocol:

- (a) exchange views with the EAC, Kenya and Uganda on the Project and its objectives, and shall promptly inform the EAC, Kenya and Uganda of any condition that interferes with or threatens to interfere with the accomplishment of the objectives of the Project or the Recipient's performance under this Agreement;
- (b) take all measures required on its part to enable the EAC: (i) carry out its obligations as overall coordinator of the regional projects in the LVB as stipulated under the Protocol and the EAC Project; and (ii) carry out the EAC Project, including facilitating any requisite consultations taking place within the Recipient's territory; and
- (c) comply with its obligations under the EAC Treaty and the Protocol, including cooperation with the EAC, Kenya, and Uganda on matters relating to the Project in accordance with the provisions of the EAC Treaty and the Protocol.

7. Annual Work Plans

- (a) The Recipient shall prepare in accordance with guidelines acceptable to the Association and furnish to the Association not later than March 31 in each calendar year, a proposed annual work plan and budget for the Project for the following fiscal year of the Recipient, of such scope and in such detail as the Association shall reasonably request.
- (b) The Recipient shall: (i) afford the Association a reasonable opportunity to exchange views with the Recipient on such proposed work plan; and (ii) thereafter carry out such work plan according to such budget, both as shall have been approved by the Association.

C. Anti-Corruption

The Recipient shall ensure that the Project is carried out in accordance with the provisions of the Anti-Corruption Guidelines.

D. Subprojects1. General

The Recipient shall appraise, approve, and monitor the Subprojects under Part 3(a) of the Project in accordance with the provisions of this Section I.D, as further elaborated in the Project Implementation Manual.

2. Eligibility Criteria and Procedures for Subprojects

Except as the Association may otherwise agree in writing, no proposed Subproject shall be eligible for financing under Part 3(a) of the Project unless:

- (a) the LGA responsible for the area in which the Subproject is located has developed, in a participatory manner acceptable to the Association, with local community members, and in accordance with guidelines acceptable to the Association, a plan for the rehabilitation of the catchment area in which the Subproject is located; and
- (b) the Recipient has determined, on the basis of an appraisal (including an environmental and social assessment for the Subproject conducted in accordance with the ESMF), conducted in accordance with guidelines acceptable to the Association, that the proposed Subproject satisfies the eligibility criteria specified below, as the same may be elaborated upon in the Project Implementation Manual:
 - (i) the proposed Beneficiary is a village or a community in a selected sub-catchment;
 - (ii) the proposed Subproject: (A) consists of specific development activities designed to generate community benefits such as: (1) natural resource conservation interventions, including upstream rain water harvesting and storage, small water reservoirs, sediment retention dams, gully erosion control, planting multipurpose trees, afforestation, and reforestation; and (2) livelihood improvement interventions, including horticulture, terracing, aquaculture, livestock development, small scale irrigation, and energy saving stoves; low-cost technologies aimed at reducing post harvest losses to fish, horticultural, and livestock products; and supply chain linkages including local processing and eco-labeling for export of Nile perch; (B) has been developed in accordance with the Catchment Rehabilitation Plan for the Subproject; (C) is economically, financially and technically viable; and (D) is in compliance with all applicable laws and regulatory standards of the Recipient relating to safety, health and environmental protection;

- (iii) the Beneficiary and LGA have undergone a capacity building training program provided for under Part 3(b)(ii) of the Project;
- (iv) the total cost of the proposed Subproject is fully covered by the sum of the proposed Subgrant and the Beneficiary's contribution; and
- (v) if, on the basis of the environmental and social assessment conducted for the Subproject, an environmental management plan, pest management plan, dam safety plan, and resettlement plan tailored to the Subproject are or is required, such plan or plans have been prepared pursuant to the ESMF and, in case of a category A Subproject, have been approved by the Association.

3. Terms and Conditions of Subgrant Agreements

- (a) A Subgrant shall be made for each Subproject approved in accordance with the provisions of paragraph 2 of this Section I.D under a Subgrant Agreement between the Recipient (acting through the LGA responsible for the area in which the Subproject is proposed to be carried out) and the Beneficiary implementing the Subproject, on terms and conditions satisfactory to the Association, including the following, whereby:
 - (i) the Beneficiary shall undertake to: (A) contribute, in cash or in kind, at least 20% of the total estimated Subproject cost; (B) carry out the Subproject with due diligence and efficiency and in accordance with sound environmental, social, engineering, financial, and managerial standards and practices, including in accordance with the provisions of the Anti-Corruption Guidelines applicable to recipients of Financing proceeds other than the Recipient (and, an environmental management plan, pest management plan, dam safety plan, and resettlement plan that has been prepared in relation to the Subproject, in a manner consistent with the ESMF, RPF and IPM); (C) procure the goods, works, and services to be financed out of the proceeds of the Subgrant in accordance with the provisions of Section III of this Schedule 2, and use the same exclusively in the carrying out of the Subproject; (D) maintain policies and procedures adequate to enable it to monitor and evaluate in accordance with indicators acceptable to the Association, the progress of the Subproject and the achievement of its objectives; (E) (1) maintain a financial management system and prepare financial statements in accordance with consistently applied accounting standards acceptable to the Association, both in a manner adequate to reflect the operations, resources and expenditures related to the Subproject; and (2) at the Association's or the Recipient's request,

have such financial statements audited by independent auditors acceptable to the Association, in accordance with consistently applied auditing standards acceptable to the Association, and promptly furnish the statements as so audited to the Recipient and the Association; (F) enable the Recipient and the Association to inspect the Subproject, its operation and any relevant records and documents; and (G) prepare and furnish to the Recipient and the Association all such information as the Recipient or the Association shall reasonably request relating to the foregoing.

(ii) the Recipient shall obtain rights adequate to protect its interests and those of the Association, including the right to suspend or terminate the right of any Beneficiary to use the proceeds of the Subgrant upon failure by the Beneficiary to perform any of its obligations under the Subgrant Agreement.

(b) The Recipient shall exercise its rights under the Subgrant Agreement in such manner as to protect its interests and the interests of the Association and to achieve the Project's objective, and, except as the Association shall otherwise agree, the Recipient shall not assign, amend, abrogate, or waive the Subgrant Agreement or any of its provisions.

E. Safeguards

(a) The Recipient shall ensure that the Project is carried out in accordance with the provisions of the ESMF, the RPF and the IPM, in a manner satisfactory to the Association, and except as the Association shall otherwise agree, the Recipient shall not amend or waive any provision of the aforementioned without prior written agreement.

(b) The Recipient shall ensure that the Project Reports referred to in Section II.A.1 of this Schedule include adequate information on monitoring the measures defined in the respective ESMF, RPF and the IPM.

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports

1. The Recipient shall monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 4.08 of the General Conditions and on the basis of indicators set forth below in paragraph 2 of this Part A. Each Project Report shall cover the period of one calendar quarter, and shall be furnished to the Association not later than forty five days after the end of the period covered by such report.

2. The performance indicators referred to above in paragraph 1 consist of the following:
 - (i) adoption of harmonized policies and regulatory frameworks for water and fisheries management in the LVB.
 - (ii) adoption of basin wide water and fisheries resources management frameworks.
 - (iii) cumulative percentage reduction in untreated effluent disposed by targeted municipals and industries into the LV.
 - (iv) percentage reduction in harvesting pressure on the Nile perch in the LV.
 - (v) percentage increase in land productivity for households selected to participate in watershed management activities.
 - (vi) percentage reduction in water hyacinth infestation in the LV.
2. For purposes of Section 4.08 (c) of the General Conditions, the report on the execution of the Project and related plan required pursuant to that Section shall be furnished to the Association not later than six months before the Closing Date.

B. Financial Management, Financial Reports and Audits

1. The Recipient shall maintain or cause to be maintained a financial management system in accordance with the provisions of Section 4.09 of the General Conditions.
2. The Recipient shall prepare and furnish to the Association, as part of the Project Report, not later than forty five days after the end of each calendar quarter, interim unaudited financial reports for the Project covering the quarter, in form and substance satisfactory to the Association.
3. The Recipient shall have its Financial Statements audited in accordance with the provisions of Section 4.09 (b) of the General Conditions. Each audit of the Financial Statements shall cover the period of one fiscal year of the Recipient, commencing with the fiscal year in which the first withdrawal under the Project Preparation Advance was made. The audited Financial Statements for each such period shall be furnished to the Association not later than six months after the end of such period.

Section III. Procurement

A. General

1. **Goods and Works.** All goods and works required for the Project and to be financed out of the proceeds of the Financing shall be procured in accordance with the requirements set forth or referred to in Section I of the Procurement Guidelines, and with the provisions of this Section.
2. **Consultants’ Services.** All consultants’ services required for the Project and to be financed out of the proceeds of the Financing shall be procured in accordance with the requirements set forth or referred to in Sections I and IV of the Consultant Guidelines, and with the provisions of this Section.
3. **Definitions.** The capitalized terms used below in this Section to describe particular procurement methods or methods of review by the Association of particular contracts, refer to the corresponding method described in the Procurement Guidelines, or Consultant Guidelines, as the case may be.

B. Particular Methods of Procurement of Goods and Works

1. **International Competitive Bidding.** Except as otherwise provided in paragraph 2 below, goods and works shall be procured under contracts awarded on the basis of International Competitive Bidding.
2. **Other Methods of Procurement of Goods and Works.** The following table specifies the methods of procurement, other than International Competitive Bidding, which may be used for goods and works. The Procurement Plan shall specify the circumstances under which such methods may be used:

Procurement Method
(a) National Competitive Bidding
(b) Community Participation procedures which have been found acceptable to the Association
(c) Shopping
(d) Limited International Bidding
(e) Direct Contracting

C. Particular Methods of Procurement of Consultants’ Services

1. **Quality- and Cost-based Selection.** Except as otherwise provided in paragraph 2 below, consultants’ services shall be procured under contracts awarded on the basis of Quality and Cost-based Selection.

2. **Other Methods of Procurement of Consultants’ Services.** The following table specifies methods of procurement, other than Quality and Cost-based Selection, which may be used for consultants’ services. The Procurement Plan shall specify the circumstances under which such methods may be used.

Procurement Method
(a) Quality-Based Selection
(b) Selection Based on the Consultants’ Qualifications
(c) Least-Cost Selection
(d) Single-Source selection
(e) Procedures set forth in paragraphs 5.2 and 5.3 of the Consultant Guidelines for the selection of Individual Consultants

D. Review by the Association of Procurement Decisions

The Procurement Plan shall set forth those contracts which shall be subject to the Association’s Prior Review. All other contracts shall be subject to Post Review by the Association.

Section IV. Withdrawal of the Proceeds of the Financing

A. General

1. The Recipient may withdraw the proceeds of the Financing in accordance with the provisions of Article II of the General Conditions, this Section, and such additional instructions as the Association shall specify by notice to the Recipient (including the “World Bank Disbursement Guidelines for Projects” dated May 2006, as revised from time to time by the Association and as made applicable to this Agreement pursuant to such instructions), to finance Eligible Expenditures as set forth in the table in paragraph 2 below.
2. The following table specifies the categories of Eligible Expenditures that may be financed out of the proceeds of the Financing (“Category”), the allocations of the amounts of the Financing to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category:

Category	Amount of the Credit Allocated (expressed in SDR)	Percentage of Expenditures to be Financed (inclusive of Taxes)
(1) Goods, works and Incremental Operating Costs for the Project	8,600,000	90%
(2) Consultants' services and Training for the Project	1,720,000	100%
(3) Subprojects for Part 3(a) of the Project	10,000,000	100%
(4) Refund of Preparation Advance	380,000	Amount payable pursuant to Section 2.07 of the General Conditions
TOTAL AMOUNT	20,700,000	

B. Withdrawal Conditions; Withdrawal Period

1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made:
 - (a) for payments made prior to the date of this Agreement.
 - (b) under Category (3), unless the Subgrant Agreement for such Sub-project has been made in accordance with Section I.D of this Schedule.
2. The Closing Date is June 30, 2013.

SCHEDULE 3**Repayment Schedule**

Date Payment Due	Principal Amount of the Credit repayable (expressed as a percentage)*
On each January 1 and July 1:	
commencing July 1, 2019 to and including January 1, 2029	1%
commencing July 1, 2029 to and including January 1, 2049	2%

* The percentages represent the percentage of the principal amount of the Credit to be repaid, except as the Association may otherwise specify pursuant to Section 3.03 (b) of the General Conditions.

APPENDIX**Section I. Definitions**

1. “Anti-Corruption Guidelines” means the “Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants”, dated October 15, 2006.
2. “Beneficiary” means a community or village which meets the eligibility criteria set forth or referred to in Section I.D.2 of Schedule 2 to this Agreement and to which a Subgrant is made or proposed to be made.
3. “Catchment Rehabilitation Plan” means the plan, referred to in Section I.D.2 of Schedule 2 to this Agreement, consisting of interventions recommended to be included in the Subprojects.
4. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.
5. “Consultant Guidelines” means the “Guidelines: Selection and Employment of Consultants by World Bank Borrowers” published by the Bank in May 2004 and revised in October 2006.
6. “East African Community” or “EAC” means the inter-governmental organization established by the LVB Countries under Article 2 of the EAC Treaty.
7. “EAC Project” means the project to be carried out by the EAC under the GEF Grant Agreement and the SIDA Grant Agreement.
8. “EAC Treaty” means the treaty dated November 30, 1999, establishing the EAC, and pursuant to which the LVB Countries, Burundi and Rwanda have undertaken to cooperate in relation to the LVB in a coordinated and sustainable manner.
9. “Environmental and Social Management Framework” or “ESMF” means the Recipient’s framework of same name dated February 2008 describing the modalities to be followed in assessing the potential adverse environmental and social impact of the Subprojects and the measures to be taken to offset, reduce, or mitigate such adverse impact.
10. “Financing Agreements” means collectively the Uganda Financing Agreement, the Kenya Financing Agreement and this Agreement.
11. “Fish Levy Trust Fund” or “FLTF” means the trust fund established under LVEMP I for purposes of providing sustainable financing of management of fisheries resource in Lake Victoria.

12. “GEF Grant Agreement” means the agreement to be entered into between the EAC and the Bank, acting as implementing agency for the Global Environment Facility providing for a grant to EAC to assist EAC in the carrying out of the GEF Project.
13. “GEF Project” means the project to be carried out by EAC in parallel with this Project, and for which a grant is proposed to be made by the Bank as implementing agency for the Global Environment Facility.
14. “General Conditions” means the “International Development Association General Conditions for Credits and Grants”, dated July 1, 2005 (as amended through October 15, 2006), as modified in Section II of this Appendix.
15. “Incremental Operating Costs” means the incremental expenses incurred by the Recipient’s implementing agencies on account of Project implementation, management, and monitoring, including office space rental, utilities, and supplies, bank charges, communications, advertising, vehicle operation, maintenance, and insurance, building and equipment maintenance costs, travel and supervision costs, and salaries of supporting staff, but excluding salaries of officials of the Recipient’s civil service.
16. “Integrated Pest Management” or “IPM” means the Recipient’s plan of same name dated February 2008 which describes the measures to be taken for development and implementation of integrated pest management and safe handling of pesticides in the course of Project implementation.
17. “Kenya Financing Agreement” means the agreement to be entered between Republic of Kenya and the Association providing for a credit to the Republic of Kenya to assist it in the carrying out of the Kenya Project.
18. “Kenya Project” means the project to be carried out by the Republic of Kenya in parallel with this Project, and for which a credit is proposed to be made by the Association.
19. “Lake Victoria” or “LV” means the lake located in an elevated plateau west of the East Africa’s Rift Valley and bordered by the LVB Countries known as Lake Victoria.
20. “Lake Victoria Basin” or “LVB” means the region located in the upper Nile River Basin that contains Lake Victoria and is bordered by the LVB Countries.
21. “Lake Victoria Basin Countries” or “LVB Countries” means the Recipient, the Republic of Kenya and the Republic of Uganda.
22. “Lake Victoria Basin Commission” or “LVBC” means the commission established by the EAC pursuant to the Protocol with responsibility for regional

coordination of the sustainable development of the Lake Victoria Basin and its ecosystems.

23. “Lake Victoria Environmental Management Project I” or “LVEMP I” means the project described in Schedule 1 of the joint project agreement among Kenya, Uganda and Tanzania on the one hand and the Association and the Bank on the other, dated September 10, 1996, for IDA Credits No. 2907-KE, 2908-TA and 2909-UG and GEF Grants No. 23819-KE, 23817-TA and 23818-UG.
24. “Lake Victoria Fisheries Organization” or “LVFO” means the organization of the EAC, established and operating pursuant to the Convention signed by the Recipient, the Republic of Kenya, and the Republic of Uganda and which entered into force on May 24, 1996 (as amended by its Council of Ministers on November 12, 1998), setting out among others, the objectives, functions and responsibilities, organs, scope and the legal status of the organization.
25. “Line Ministries” means collectively the Recipient’s Ministries responsible for water, fisheries, agriculture, forestry, environment, regional, livestock, lands, finance, maritime transport, Prime Ministers Office, Vice-President’s Office and local government, and any successor to such ministries.
26. “Local Government Authorities” or “LGAs” means the district councils, town councils, and the city councils or any successors thereto responsible for facilitating and/or implementing Project activities under Parts 2 and 3 of the Project in the LVB countries.
27. “Ministry of Water and Irrigation” or “MoWI” means the Recipient’s ministry responsible for water and irrigation and any successor thereto.
28. “NGO” means a non-governmental organization established and operating as such under the laws of the Recipient.
29. “National Policy Steering Committee” or “NPSC” means the committee referred to in Section I.A.1(a) of Schedule 2 to this Agreement.
30. “National Project Coordination Team” or “NPCT” means the team referred to in Section I.A.2(b) of Schedule 2 to this Agreement.
31. “National Technical Advisory Committee” or “NTAC” means the committee referred to in Section I.A.1(b) of Schedule 2 to this Agreement.
32. “Partner States” means the LVB Countries, the Republic of Burundi and the Republic of Rwanda.
33. “Preparation Advance” means the advance referred to in Section 2.07 of the General Conditions, granted by the Association to the Recipient pursuant to the

letter agreement signed on behalf of the Association on November 22, 2007 and on behalf of the Recipient on December 4, 2007.

34. “Procurement Guidelines” means the “Guidelines: Procurement under IBRD Loans and IDA Credits” published by the Bank in May 2004 and revised in October 2006.
35. “Procurement Plan” means the Recipient’s procurement plan for the Project, dated October 30, 2008 and referred to in paragraph 1.16 of the Procurement Guidelines and paragraph 1.24 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.
36. “Program” means the three phases of the Lake Victoria management program designed to: (i) support sustainable development and management of water and fisheries resources in the LVB; and (ii) address cross sector interests in watershed management and participatory integrated approaches in water resources planning, development and management and set forth or referred to in the letter dated November 10, 2008 from the Recipient to the Association.
37. “Project Implementation Manual” means the Recipient’s manual of the same name dated October 31, 2008, outlining *inter alia*, financial management, procurement, disbursement arrangements, environmental and social management, monitoring arrangements for the Project, guidelines for the eligibility and implementation of the Subprojects and includes the Project implementation plan, financial management manual, the institutional risk management policy framework, the procurement manual, community financial management and procurement handbook, and the guidelines for the preparation and implementation of Subprojects.
38. “Protocol for the Sustainable Development of Lake Victoria Basin” or “Protocol” means the instrument of same name, signed by the LVB Countries dated November 29, 2003, pursuant to which the LVB Countries have undertaken to implement concerted measures to co-operate in the joint and efficient management and sustainable utilization of natural resources within the LVB.
39. “Resettlement Policy Framework” or “RPF” means the Recipient’s framework of same name dated February 2008, describing the procedures to be followed in the event that land is acquired in the course of Project implementation which causes involuntary resettlement and/or loss of livelihoods of the displaced persons, and to offset, reduce, or mitigate any adverse impact of such resettlement and/or loss.
40. “SIDA Grant Agreement” means the agreement to be entered into between the EAC and the Bank, as administrator for certain funds made available by the Swedish International Development Agency (“SIDA”), providing for a grant to EAC to assist EAC in the carrying out of the SIDA Project.

41. “SIDA Project” means the project to be carried out by EAC in parallel with this Project, and for which a grant is proposed to be made by the Bank as administrator of certain funds made available by SIDA.
42. “Subgrant” means a grant made or proposed to be made by the Recipient to a Beneficiary out of the proceeds of the Financing for the purpose of financing a Subproject.
43. “Subgrant Agreement” means an agreement between the Recipient (acting through one of its Local Implementing Agencies) and a Beneficiary, providing for a Subgrant to the Beneficiary for the purpose of financing a Subproject.
44. “Subproject” means a specific development activity under Part 3.a. of the Project and to be financed under a Subgrant.
45. “Training” means the training of persons under Part 1 and 3 of the Project carried out in accordance with the work plans and budgets referred to in Section I.B.7 of Schedule 2 to this Agreement and approved by the Association, such term to include travel and subsistence of participants of seminars, workshops, and study tours, rental of training facilities, services of trainers and presenters, preparation and reproduction of training materials, and other costs directly related to preparation and implementation of training programs.
46. “Uganda Financing Agreement” means the agreement to be entered into between the Republic of Uganda and the Association providing for a credit to the Republic of Uganda to assist it in the carrying out of the Uganda Project.
47. “Uganda Project” means the project to be carried out by Uganda in parallel with this Project, and for which a credit is proposed to be made by the Association.

Section II. Modifications to the General Conditions

The modifications to the General Conditions for Credits and Grants of the Association, dated July 1, 2005 (as amended through October 15, 2006) are as follows:

1. Section 2.07 is modified to read as follows:

“Section 2.07. *Refinancing Preparation Advance*

If the Financing Agreement provides for the repayment out of the proceeds of the Financing of an advance made by the Association or the Bank (“Preparation Advance”), the Association shall, on behalf of the Recipient, withdraw from the Financing Account on or after the Effective Date the amount required to repay the withdrawn and outstanding balance of the advance as at the date of such withdrawal from the Financing Account and to pay all accrued and

unpaid charges, if any, on the advance as at such date. The Association shall pay the amount so withdrawn to itself or the Bank, as the case may be, and shall cancel the remaining unwithdrawn amount of the advance.”

2. The following terms and definitions set forth in the Appendix are modified or deleted as follows, and the following new terms and definitions are added in alphabetical order to the Appendix as follows, with the terms being renumbered accordingly:

- (a) The term “Project Preparation Advance” is modified to read “Preparation Advance” and its definition is modified to read as follows:

“‘Preparation Advance’ means the advance referred to in the Financing Agreement and repayable in accordance with Section 2.07.”