

CONFORMED COPY

CREDIT NUMBER 4277-KE

Project Agreement

(Natural Resources Management Project)

between

INTERNATIONAL DEVELOPMENT ASSOCIATION

and

WATER RESOURCES MANAGEMENT AUTHORITY

Dated May 7, 2007

PROJECT AGREEMENT

Agreement dated May 7, 2007, entered into between INTERNATIONAL DEVELOPMENT ASSOCIATION (“Association”) and WATER RESOURCES MANAGEMENT AUTHORITY (“Project Implementing Entity”) (“Project Agreement”) in connection with the Financing Agreement (“Financing Agreement”) of same date between the Republic of Kenya (“Recipient”) and the Association. The Association and the Project Implementing Entity hereby agree as follows:

ARTICLE I — GENERAL CONDITIONS; DEFINITIONS

- 1.01. The General Conditions (as defined in the Appendix to the Financing 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 Financing Agreement or the General Conditions.

ARTICLE II — PROJECT

- 2.01. The Project Implementing Entity declares its commitment to the objectives of the Project. To this end, the Project Implementing Entity shall carry out Parts 1(a), 1(b) and 3 of the Project in accordance with the provisions of Article IV of the General Conditions, and shall provide promptly as needed, the funds, facilities, services and other resources required for its Respective Part of the Project.
- 2.02. Without limitation upon the provisions of Section 2.01 of this Agreement, and except as the Association and the Project Implementing Entity shall otherwise agree, the Project Implementing Entity shall carry out its Respective Part of the Project in accordance with the provisions of the Schedule to this Agreement.

ARTICLE III — TERMINATION

- 3.01. For purposes of Section 8.05 (c) of the General Conditions, the date on which the provisions of this Agreement shall terminate is forty years after the date of this Agreement.

ARTICLE IV — REPRESENTATIVE; ADDRESSES

4.01. The Project Implementing Entity's Representative is the Chief Executive Officer.

4.02. The Association's Address is:

International Development Association
1818 H Street, NW
Washington, DC 20433
United States of America

Cable:

Telex:

Facsimile:

INDEVAS
Washington, D.C.

248423(MCI)

1-202-477-6391

4.03. The Project Implementing Entity's Address is:

Water Resources Management Authority
P. O. Box 45250, 00100
Nairobi, Kenya

Telephone:

Facsimile:

254-20-2732291

254-20-2729950

AGREED at Nairobi, Republic of Kenya, as of the day and year first above written.

INTERNATIONAL DEVELOPMENT ASSOCIATION

By: */s/ Colin Bruce*
Authorized Representative

WATER RESOURCES MANAGEMENT AUTHORITY

By: */s/ Patrick Oloo*
Authorized Representative

SCHEDULE

Execution of the Implementing Entity's Respective Part of the Project

Section I. Implementation and other Arrangements

A. Institutional Arrangements

1. In implementing Parts 1(a), 1(b) and 3 of the Project, the Project Implementing Entity shall be in charge of the institutional strengthening of this Project while its Tana Regional Office shall carry out the catchment management and livelihoods activities in partnership with the relevant line Ministries and civil society organizations.
2. The Project Implementing Entity shall at all times during Project implementation appoint and maintain a sub-component leader who shall be responsible for the overall implementation of its Respective Parts of the Project including monitoring achievement of agreed indicators.

B. Subprojects

3. Except as the Association shall otherwise agree, for the purpose of implementing its Respective Parts of the Project, the Project Implementing Entity shall in approving any Subproject comply with the criteria, procedures and guidelines set forth in the PIP and shall not amend or waive any provisions thereof if such waiver or amendment will in the opinion of the Association, materially or adversely impact Project implementation.
4. The Project Implementing Entity shall obtain rights adequate to protect its interests and those of the Recipient and the Association, including the right to:
 - (i) suspend or terminate the right of the Subproject Beneficiary to use the proceeds of the Sub-Grant, or obtain a refund of all or any part of the amount of the Sub-Grant then withdrawn, upon the Subproject Beneficiary's failure to perform any of its obligations under the Sub-Grant Agreement and,
 - (ii) require each Subproject Beneficiary to: (a) maintain adequate records of all project related financial transactions, use of materials and labor and community contributions; (b) use the proceeds of the Credit exclusively in carrying out the proposed Subproject; and, (c) provide complete information regarding the progress of the works or any related aspects of the subproject to the implementing entity.

C. Environmental and Social Safeguards

5. The Project Implementing Entity shall carry out the Project in accordance with the Environmental and Social Management Framework, Resettlement Policy Framework, Indigenous Peoples Planning Framework and the Project Implementation Plan and shall not amend, waive any of the requirements of these documents without the prior approval of the Association.

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports

1. (a) The Project Implementing Entity shall monitor and evaluate the progress of implementing its Respective Parts of the Project in accordance with the provisions of Section 4.08 of the General Conditions and on the basis of the indicators set forth below in paragraph (b) agreed with the Association. Each such Project Report shall cover the period of one Fiscal Year, and shall be furnished to the Recipient not later two months after the end of the period covered by such report for incorporation and forwarding by the Recipient to the Association of the overall Project Report.
- (b) The performance indicators referred to above in sub-paragraph (a) consist of the indicators referred to in Section A2 (viii) and (ix) of the Financing Agreement namely number micro-catchments action plans developed by Water Resources User Association and approved by WRMA and the percentage reduction in the sediment loads in the rivers in target micro catchments.
2. The Project Implementing Entity shall provide to the Recipient not later than August 31 2013, for incorporation in the report referred to in Section 4.08 (c) of the General Conditions all such information as the Recipient or the Association shall reasonably request for the purposes of such Section.

B. Financial Management, Financial Reports and Audits

1. The Project Implementing Entity shall 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 and financial condition, of the Project Implementing Entity, including the operations, resources and expenditures related to its Respective Part of the Project.
2. The Project Implementing Entity shall have its financial statements referred to above audited by independent auditors acceptable to the Association, in accordance with consistently applied auditing standards acceptable to the Association. Each audit of these financial statements shall cover the period of one fiscal year of the Project Implementing

Entity. The audited financial statements for each period shall be furnished to the Association not later than six months after the end of the period.

Section III. Procurement

All goods and services required for the Project Implementing Entity's Respective Part of the Project and to be financed out of the proceeds of the Financing shall be procured in accordance with the provisions of Section III of Schedule 2 to the Financing Agreement.

Section IV. Other Undertakings

The Project Implementing Entity shall prior to the commencement of each Fiscal Year submit in form and substance satisfactory to the Association a consolidated annual work plan for the subsequent year. Any such work plan, shall include *inter alia* an updated procurement plan and budget proposal for project activities in accordance with the PIP.