Re: East Africa Community
Advance Agreement for Preparation of Proposed Financial Sector Development and Regionalization Project
Preparation Advance No. Q726 EAF

Excellency:

I refer to the request for financial assistance from the International Development Association (“World Bank”) made on behalf of the East Africa Community (variously, “EAC” or “Recipient”), a regional organization established pursuant to the Treaty for the Establishment of the East African Community (as amended on 14th December, 2006 and 20th August, 2007) (“EAC Treaty”), with headquarters in Arusha, United Republic of Tanzania (“Member Country”).

I am pleased to inform you that on the basis of the foregoing, the World Bank proposes to extend to the Recipient an advance out of the World Bank’s Project Preparation Facility in an amount not to exceed one million Dollars ($1,000,000) (“Advance”) on the terms and conditions set forth or referred to in this letter agreement (“Agreement”), which includes the attached Annex, to assist in financing the activities described in the Annex (“Activities”). The objective of the Activities is to facilitate the preparation of a proposed project designed to support the development of a single market in financial services among the EAC member states (“Project”), for the carrying out of which the Recipient has requested the World Bank’s financial assistance.

The Recipient represents, by confirming its agreement below, that: (a) it understands that the provision of the Advance does not constitute or imply any commitment on the part of IBRD or IDA to assist in financing the Project; and (b) it is authorized to enter into this Agreement and to carry out the Activities, and perform its other obligations under this Agreement, all in accordance with the provisions of 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. Upon receipt by the World Bank of this countersigned copy, this Agreement shall become effective as of the date of the countersignature; provided, however, that the offer of this Agreement shall be deemed withdrawn if the World Bank has not received this countersigned copy within 90 days after the date of signature of this Agreement by the World Bank, unless the World Bank has established a later date for such purpose.

Very truly yours,
INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Yusupha B. Crookes
Yusupha B. Crookes
Director
Africa Regional Integration

AGREED:

EAST AFRICAN COMMUNITY

By/s/ Mutabingwa Alloys
Authorized Representative

Name ______________________

Title Deputy Secretary General

Date: July 12, 2010

Enclosures:

(1) “Standard Conditions for Advances Made by the World Bank under its Project Preparation Facility”, dated January 15, 2008; and

Article I

Standard Conditions; Definitions

1.01. **Standard Conditions.** The Standard Conditions for Advances Made by the World Bank under its Project Preparation Facility dated January 15, 2008 with the modifications set forth in Section I of the Appendix to this Annex (“Standard Conditions”), 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.

Article II

Execution of the Activities

2.01. **Description of the Activities.** The Activities for which the Advance is provided consist of the following parts:

2.01. **Description of the Activities.** The Activities for which the Advance is provided consist of the following parts:

(i) Assessment of the institutional development needs for a proposed financial sector regionalization department of the EAC Secretariat (“FSRD”) and on the basis of such assessment, development of recommendations for its establishment and institutional development.

(ii) Recruitment of: (a) a regional financial policy advisor, (b) Project manager; (c) procurement specialist; (d) financial management specialist; (e) financial economist; (f) resource mobilization specialist; (g) procurement officer; and (h) administrative assistant; all for the Project.

(iii) Provision of training for management and staff of the EAC involved in financial sector regionalization to enhance their professional skills in such area.

(iv) Preparation of an operations manual for the Project and carrying out of a workshop to review the draft manual.

(v) Assessment of the immediate needs of Republics of Burundi and Rwanda to ensure their preparedness for financial sector regionalization, and on the basis of such assessment, development of recommendations designed to strengthen their respective financial sectors, and carrying out of workshops to review such recommendations.
(vi) Assessment of the current status of the pension and insurance industries among the EAC member states to identify constraints to regional integration of such industries, and on the basis of such assessment, development of recommendations to facilitate such harmonization.

(vii) Development of an action plan designed based on assessments conducted in the Republics of Kenya and Uganda and of the United Republic of Tanzania of compliance of their securities markets with International Organization of Securities Commissions principles, so as to ensure such member states’ compliance with such principles.

2.02. Execution of the Activities Generally. The Recipient declares its commitment to the objectives of the Activities. To this end, the Recipient shall carry out the Activities through its Secretariat in accordance with the provisions of: (a) Article II of the Standard Conditions; (b) this Article II; and (c) the “Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants”, dated October 15, 2006, with the modifications set forth in Section II of the Appendix to this Agreement.

2.03. Monitoring, Reporting and Evaluation of the Activities. The Recipient shall monitor and evaluate the progress of the Activities in accordance with the provisions of Section 2.08 of the Standard Conditions.

2.04. Financial Management. (a) The Recipient shall ensure that a financial management system is maintained in accordance with the provisions of Section 2.09 of the Standard Conditions.

(b) The Recipient shall ensure that interim un-audited financial reports for the Activities are prepared and furnished to the World Bank not later than one month after the end of each calendar quarter, covering the quarter, in form and substance satisfactory to the World Bank.

(c) The Recipient shall have its Financial Statements audited in accordance with the provisions of Sections 2.09 (b) of the Standard Conditions. Each such 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 Advance was made. The audited Financial Statements for such period shall be furnished to the Bank not later than six months after the end of such period.

2.05. Procurement

(a) General. All goods and services required for the Activities and to be financed out of the proceeds of the Advance shall be procured in accordance with the requirements set forth or referred to in:

(i) Section I of the “Guidelines for Procurement under IBRD Loans and IDA Credits” published by the World Bank in May 2004 and revised in October 2006 and May 2010 (“Procurement Guidelines”), in the case of goods;
(ii) Sections I and IV of the “Guidelines: Selection and Employment of Consultants by World Bank Borrowers” published by the World Bank in May 2004 and revised in October 2006 and May 2010 (“Consultant Guidelines”) in the case of consultants’ services; and

(iii) the provisions of this Section, as the same shall be elaborated in the procurement plan prepared and updated from time to time by the Recipient for the Activities in accordance with paragraph 1.16 of the Procurement Guidelines and paragraph 1.24 of the Consultant Guidelines (“Procurement Plan”).

(b) Definitions. The capitalized terms used in the following paragraphs of this Section to describe particular procurement methods or methods of review by the World Bank of particular contracts, refer to the corresponding method described in the Procurement Guidelines, or the Consultant Guidelines, as the case may be.

(c) Particular Methods of Procurement of Goods

(i) Except as otherwise provided in sub-paragraph (ii) below, goods shall be procured under contracts awarded on the basis of International Competitive Bidding.

(ii) The following methods, other than International Competitive Bidding, may be used for procurement of goods for those contracts which are specified in the Procurement Plan: (A) National Competitive Bidding; (B) Shopping; and (C) Direct Contracting.

(d) Particular Methods of Procurement of Consultants’ Services

(i) Except as otherwise provided in sub-paragraph (ii) below, consultants’ services shall be procured under contracts awarded on the basis of Quality- and Cost-based Selection.

(ii) The following methods, other than Quality- and Cost-based Selection, may be used for the procurement of consultants’ services for those assignments which are specified in the Procurement Plan: (A) Quality-based Selection; (B) Selection under a Fixed Budget; (C) Least Cost Selection; (D) Selection based on Consultants’ Qualifications; (E) Single-source Selection; (F) Selection of Individual Consultants; and (G) Sole Source Procedures for the Selection of Individual Consultants.

(e) Review by the World Bank of Procurement Decisions. The Procurement Plan shall set forth those contracts which shall be subject to the World Bank’s Prior Review. All other contracts shall be subject to Post Review by the World Bank.
Article III
Withdrawal of the Advance

3.01. Eligible Expenditures.

(a) The Recipient may withdraw the proceeds of the Advance in accordance with the provisions of: (i) Article III of the Standard Conditions; (ii) this Section; and (iii) such additional instructions as the World Bank may 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 World Bank and as made applicable to this Agreement pursuant to such instructions), to finance 100% of Eligible Expenditures consisting of goods, services, Training and Operating Costs, inclusive of Taxes.

(b) For purposes of this Section, the following terms have the meanings set forth below:

(i) “Operating Costs” means the incremental expenses incurred on account of implementation of the Activities, consisting of reasonable expenditures for office supplies, vehicle operation and maintenance, communication and insurance costs, banking charges, rental expenses, office and office equipment maintenance, utilities, document duplication/printing, consumables, travel cost and per diem for Recipient staff for travel linked to the implementation of the Activities, and salaries of contractual staff for the Activities, but excluding salaries of officials of the Recipient.

(ii) “Training” means the reasonable costs associated with training and workshop participation under the Activities, consisting of travel and subsistence costs for training participants, costs associated with securing the services of trainers and presenters, rental of training facilities, preparation and reproduction of training materials, and other costs directly related to course or workshop preparation and implementation.

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 countersignature of this Agreement by the Recipient.

3.03. Refinancing Date. The Refinancing Date is April 30, 2011.

Article IV
Terms of the Advance

4.01. Refinancing under the Refinancing Agreement: If, on or before the Refinancing Date, a Refinancing Agreement has been executed by all of its parties, then the full amount of the Withdrawn Advance Balance shall be paid to the World Bank as soon as the Refinancing Agreement becomes effective, by means of a withdrawal by the World Bank of such amount of the Refinancing Proceeds, in accordance with the provisions of the Refinancing Agreement.
4.02. **No Repayment in the absence of a Refinancing Agreement:** Notwithstanding any provision to the contrary in the Standard Conditions, if, on or before the Refinancing Date, no Refinancing Agreement has been executed by all of its parties, or if, by such date or at any time thereafter, it has been so executed but terminates without becoming effective, then the Recipient shall not be obligated to repay the Withdrawn Advance Balance.

**Article V**

**Additional Remedies**

5.01. **Additional Events of Suspension.** The Additional Events of Suspension consist of the following:

   (a) IBRD or IDA has declared the Recipient ineligible to receive proceeds of any financing made by IBRD or IDA or otherwise to participate in the preparation or implementation of any project financed in whole or in part by IBRD or IDA, as a result of a declaration by another financier that the Recipient is ineligible to receive proceeds of financings made by such financier or otherwise to participate in the preparation or implementation of any project financed in whole or in part by such financier as a result of a determination by such financier that the Implementing Entity has engaged in fraudulent, corrupt, coercive or collusive practices in connection with the use of the proceeds of a financing made by such financier.

   (b) The EAC Treaty has been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of the Recipient to perform any of its obligations under the Advance Agreement.

5.02. **Additional Events of Acceleration.** The Additional Event[s] of Acceleration consist[s] of the following, namely that the event specified in paragraph (a) of Section 5.01 of this Agreement occurs.

**Article VI**

**Recipient’s Representative; Addresses**

6.01. **Recipient’s Representative.** The Recipient’s Representative referred to in Section 9.02 of the Standard Conditions is the Secretary General of the EAC.

6.02. **Recipient’s Address.** The Recipient’s Address referred to in Section 9.01 of the Standard Conditions is:

   East African Community Secretariat  
P.O. Box 1096  
Arusha  
United Republic of Tanzania

   Facsimile: +255 27 205 02 81
6.03. **World Bank’s Address.** The World Bank’s Address referred to in Section 9.01 of the Standard Conditions is:

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

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APPENDIX
Modifications to the Standard Conditions and Anti-Corruption Guidelines

I. Modifications to the Standard Conditions

The modifications to the Standard Conditions Standard Conditions for Advances Made by the World Bank under its Project Preparation Facility dated January 15, 2008 are as follows (all references to Sections and the Appendix are to Sections of and the Appendix to said Standard Conditions):

A. Section 2.11 (a) is modified to read as follows:

“Section 2.11. (Visits) (a) The Recipient shall take all measures required on its part to enable the representatives of the World Bank to visit any part of any Member Country’s territory for purposes related to the Advance or the Activities.”

B. The expression “territory of the Recipient” or “its territory”, wherever used in Sections 3.06 (Financing Taxes), 4.07 (Manner of Payment) and 5.01 (Financial and Economic Data) is modified to read “territory of each Member Country”.

C. Section 6.02(h) (Membership) is deleted in its entirety, and the remaining paragraphs of Section 6.02 are renumbered accordingly.

D. The expression “Implementing Entity”, wherever used in Sections 6.02 (i) (Condition of Implementing Entity) and 6.02 (j) (Ineligibility), is modified to read “Recipient”.

E. A new paragraph (l) is added to Section 6.02 (Suspension by the World Bank) (and the existing paragraph (l) is renumbered as (m)) to read as follows:

“(a) Interference. Any Member Country has: (i) taken or permitted to be taken any action which would prevent or interfere with the execution of the Activities or the performance by the Recipient of its obligations under the Advance Agreement; or (ii) failed to afford a reasonable opportunity for representatives of the World Bank to visit any part of its territory for purposes related to the Advance or the Activities.”

F. A new definition is added to the Appendix to read as follows:

““Member Country” means each member state of the Recipient or any of such member’s political or administrative subdivisions.”

G. The definition of “Recipient” is modified to read as follows:

““Recipient” means the entity which is a party to the Advance Agreement and to which the Advance is extended.”
II. Modifications to the Anti-Corruption Guidelines

The modifications to the Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants, dated October 15, 2006 are as follows (all references to Sections are to Sections of said Guidelines):

A. Section 5 is re-numbered as Section 5(a) and a new Section 5(b) is added to read as follows:

“…(b) These Guidelines also provide for the sanctions and related actions to be imposed by the Bank on Borrowers (other than the Member Country) and all other individuals or entities who are recipients of Loan proceeds, in the event that the Borrower or the individual or entity has been debarred by another financier as a result of a determination by such financier that the Borrower or the individual or entity has engaged in fraudulent, corrupt, coercive or collusive practices in connection with the use of the proceeds of a financing made by such financier.”

B. Section 11(a) is modified to read as follows:

“… (a) sanction in accordance with prevailing Bank’s sanctions policies and procedures (fn13) a Borrower (other than a Member Country) (fn 14) or an individual or entity, including (but not limited to) declaring such Borrower, individual or entity ineligible publicly, either indefinitely or for a stated period of time: (i) to be awarded a Bank-financed contract; (ii) to benefit from a Bank-financed contract, financially or otherwise, for example as a sub-contractor; and (iii) to otherwise participate in the preparation or implementation of the project or any other project financed, in whole or in part, by the Bank, if at any time the Bank determines (fn 15) that such Borrower, individual or entity has engaged in corrupt, fraudulent, collusive, coercive or obstructive practices in connection with the use of loan proceeds, or if another financier with which the Bank has entered into an agreement for the mutual enforcement of debarment decisions has declared such person or entity ineligible to receive proceeds of financings made by such financier or otherwise to participate in the preparation or implementation of any project financed in whole or in part by such financier as a result of a determination by such financier that the Borrower or the individual or entity has engaged in fraudulent, corrupt, coercive or collusive practices in connection with the use of the proceeds of a financing made by such financier.”

Footnotes:

“13. An individual or entity may be declared ineligible to be awarded a Bank financed contract upon completion of sanctions proceedings pursuant to the Bank’s sanctions policies and procedures, or under the procedures of temporary suspension or early temporary suspension in connection with an ongoing sanctions proceeding, or following a sanction by another financier with whom the Bank has entered into a cross debarment agreement, as a result of a determination by such financier that the firm or individual has engaged in fraudulent, corrupt, coercive or collusive practices in connection with the use of the proceeds of a financing made by such financier.”
“14. Member Country includes officials and employees of the national government or of any of its political or administrative subdivisions, and government owned enterprises and agencies that are not eligible to bid under paragraph 1.8(b) of the Procurement Guidelines or participate under paragraph 1.11(c) of the Consultant Guidelines.”

“15. The Bank has established a Sanctions Board, and related procedures, for the purpose of making such determinations. The procedures of the Sanctions Board sets forth the full set of sanctions available to the Bank. In addition, the Bank has adopted an internal protocol outlining the process to be followed in implementing debarments by other financiers, and explaining how cross-debarments will be posted on the Bank’s website and otherwise be made known to staff and other stakeholders.”