

CONFORMED COPY

CREDIT NUMBER 3697 UG

Development Credit Agreement

(Northern Uganda Social Action Fund Project)

between

THE REPUBLIC OF UGANDA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated August 7, 2002

CREDIT NUMBER 3697 UG

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated August 7, 2002, between THE REPUBLIC OF UGANDA (the Borrower)

and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

WHEREAS (A) the Association has received a letter dated July 8, 2002 from the Borrower describing a program of actions, objectives and policies designed to promote the carrying out of a program (the Program) to provide sustainable and improved basic social services for the communities and specific vulnerable groups in eighteen (18) districts of the Borrower's territory (Northern Uganda), and declaring the Borrower's commitment to the execution of the Program;

(B) the Borrower, having satisfied itself as to the feasibility and priority of the Project described in Schedule 2 to this Agreement, has requested the Association to assist in the financing of the Project; and

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

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

General Conditions; Definitions

Section 1.01. The "General Conditions Applicable to Development Credit Agreements" of the Association, dated January 1, 1985 (as amended through October 6, 1999), (the General Conditions), constitute an integral part of this Agreement.

Section 1.02. Unless the context otherwise requires, the several terms defined in the General Conditions and in the Preamble to this Agreement have the respective meanings therein set forth and the following additional terms have the following meanings:

- (a) "AIDS" means the Acquired Immune Deficiency Syndrome;
- (b) "Beneficiary" means a community, including a village or group of villages, which meets the criteria specified in the Operational Manual (as hereinafter defined), duly represented by a CPMC (as hereinafter defined), and which is the recipient of a Grant (as hereinafter defined);
- (c) "CBO" means a Community Based Organization: (i) operating under the Borrower's laws; (ii) meeting the criteria provided in the Operational Manual (as hereinafter defined); (iii) which is responsible for the development of a Subproject (as hereinafter defined); and (iv) which pursuant to a Subproject Agreement (as hereinafter defined) has access to the proceeds of the Credit for the financing of such Subproject (as hereinafter defined);
- (d) "CPMC" means a Community Project Management Committee consisting of representatives of interest groups that are elected by a Beneficiary to take leadership in the design, appraisal, implementation and monitoring of a Subproject (as hereinafter defined), as well as the

maintenance and operation of a Subproject Account (as hereinafter defined) on behalf of the Beneficiary;

(e) “CSO” means a Civil Society Organization: (i) operating under the Borrower’s laws; (ii) meeting the criteria provided in the Operational Manual (as hereinafter defined); (iii) which is responsible for the development of a Subproject (as hereinafter defined); and (iv) which pursuant to a Subproject Agreement (as hereinafter defined) has access to the proceeds of the Credit for the financing of such Subproject;

(f) “District” means a District as a unit for local administration within the context of the Borrower’s Local Governments Act, 1997 as may be amended from time to time;

(g) “District Council” means a District Council established and operating pursuant to the Borrower’s Local Governments Act, 1997 as may be amended from time to time;

(h) “District Executive Committee” or “DEC” means an executive committee for each District Council established and charged with the executive functions of the District Council, under the Borrower’s Local Governments Act, 1997 as may be amended from time to time;

(i) “DTPC” means a District Technical Planning Committee established and operating pursuant to the Borrower’s Local Governments Act, 1997 as may be amended from time to time;

(j) “Eligible Categories” means categories 1 through 4 set forth in the table in Part A.1 of Schedule 1 to this Agreement;

(k) “Eligible Expenditures” means the expenditures for goods and services referred to in Section 2.02 (a) of this Agreement and to be financed out of the proceeds of the Credit allocated from time to time to the Eligible Categories in accordance with the provisions of Schedule 1 of this Agreement;

(l) “Environmental Assessment Guidelines and Checklist” means the guidelines and a checklist issued by NEMA (as hereinafter defined) for the environmental assessment and audit of a Subproject (as hereinafter defined), to eliminate any adverse environmental and social impacts, offset them, or reduce them to acceptable levels, or to enhance positive impacts;

(m) “Environmental Management Plan” means the set of mitigation, enhancement, monitoring, and institutional measures that have been identified in the environmental impact assessment to be taken during the implementation of the Project to eliminate adverse environmental and social impacts, offset them, or reduce them to acceptable levels, or to enhance positive impacts;

(n) “Financial Management Handbook” means the handbook adopted by the Borrower, containing accounting, financial and auditing procedures for maintaining proper accounting and financial controls, and setting out in detail the procedure that shall apply in disbursing funds to the

various agencies involved in implementation of the Project;

(o) “Financial Monitoring Report” or “FMR” means each report prepared in accordance with Section 4.02 of this Agreement;

(p) “Grant” means a grant made or proposed to be made by the Borrower to a Beneficiary, pursuant to a Subproject Agreement (as hereinafter defined) to finance a Subproject (as hereinafter defined);

(q) “HIV” means the Human Immuno Deficiency Virus;

(r) “IAPSO” means the Inter-Agency Procurement Services Office of the United Nations;

(s) “IEC” means Information, Education and Communication;

(t) “LA” means Local Authority or Local Government Administration or Area established and operating pursuant to the Borrower’s Local Governments Act, 1997 as may be amended from time to time;

(u) “Line Ministry” means a Ministry which has more direct contact with a Subproject (as hereinafter defined) in its sector of operation at the District or local level;

(v) “Memorandum of Understanding” means the Memorandum of Understanding referred to under Part C of Schedule 4 to this Agreement, and to be entered into between the Borrower and a District Council, as the same may be amended from time to time, and such term includes all schedules thereof;

(w) “MIS” means the Management Information System to be established for the implementation of the Project;

(x) “NEMA” means National Environmental Management Authority established and operating pursuant to the Borrower’s National Environment Act, 1997 as may be amended from time to time;

(y) “NGO” means a Non-Governmental Organization established and operating under the Borrower’s Non-Governmental Organizations Statute, 1989 as may be amended from time to time;

(z) “Northern Uganda” means a region with defined boundary in the north and east of the Borrower’s territory, and for the purpose of the Project includes eighteen Districts in five sub-regions, namely: (i) Acholi (Gulu, Kitgum and Pader); (ii) Karamoja (Kotido, Nakapiripirit and Moroto); (iii) Lango (Apac and Lira); (iv) Teso (Kumi, Pallisa, Kaberamaido, Katakwi and Soroti); and (v) West Nile (Arua, Yumbe, Adjumani, Moyo and Nebbi);

(aa) “NSC” means the National Steering Committee established pursuant to paragraph 2

under Part A of Schedule 4 to this Agreement to facilitate and coordinate the activities of the Project;

(bb) “NUMU” means the Northern Uganda Social Action Fund Project Management Unit established in the Office of the Prime Minister with the overall responsibility for the management of the Project in accordance with paragraph 3 under Part A of Schedule 4 to this Agreement;

(cc) “Operational Manual” means the Operational Manual referred to in Section 6.01 (b) (i), and in paragraph 1 under Part A of Schedule 4 to this Agreement;

(dd) “Project Account” means the account referred to in Section 3.04 of this Agreement;

(ee) “Project Preparation Advance” means the project preparation advance granted by the Association to the Borrower pursuant to the letter agreement signed on July 4, 2002;

(ff) “Project Year” means the twelve-month period beginning on October 1, 2002 and ending on September 30, 2003 (the First Project Year), and any twelve-month period beginning at the end of the First Project Year, or the end of subsequent Project Years;

(gg) “Special Account” means the account referred to in Part B of Schedule 1 to this Agreement;

(hh) “Subproject” means a subproject that has been approved by a DEC in accordance with the Operational Manual, and in respect of which the Borrower has entered into the corresponding Subproject Agreement (as hereinafter defined), which satisfies the eligibility criteria set out in paragraph 6 under Part B of Schedule 4;

(ii) “Subproject Agreement” means the Subproject Agreement referred to under Part D of Schedule 4 to this Agreement, and to be entered into between the Borrower and an LA, CPMC, CSO, NGO, or a private sector agency, as the same may be amended from time to time, and such term includes all schedules thereof;

(jj) “Subproject Implementation Plan” means the Subproject Implementation Plan referred to in paragraph 11 (b) under Part D of Schedule 4 to this Agreement;

(kk) “UBOS” means the Borrower’s Bureau of Statistics established and operating under the Uganda Bureau of Statistics Act, 1998; and

(ll) “USh” means Uganda Shilling, the currency of the Borrower.

ARTICLE II

The Credit

Section 2.01. The Association agrees to lend to the Borrower, on the terms and conditions set forth or referred to in the Development Credit Agreement, an amount in various currencies equivalent to eighty million one hundred thousand Special Drawing Rights (SDR 80,100,000).

Section 2.02. (a) The amount of the Credit may be withdrawn from the Credit Account in accordance with the provisions of Schedule 1 to this Agreement for: (i) expenditures made (or, if the Association shall so agree, to be made) in respect of the reasonable cost of goods and services required for the Project and to be financed out of the proceeds of the Credit; and (ii) amounts paid (or, if the Association shall so agree, to be paid) by the Borrower on account of withdrawals made by a Beneficiary under a Grant to meet the reasonable cost of goods, works or consultancy services required for a Subproject and in respect of which withdrawal from the Credit Account is requested.

(b) Promptly after the Effective Date, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and pay to itself the amount required to repay the principal amount of the Project Preparation Advance withdrawn and outstanding as of such date and to pay all unpaid charges thereon. The unwithdrawn balance of the authorized amount of the Project Preparation Advance shall thereupon be canceled.

Section 2.03. The Closing Date shall be March 31, 2008, or such later date as the Association shall establish. The Association shall promptly notify the Borrower of such later date.

Section 2.04. (a) The Borrower shall pay to the Association a commitment charge on the principal amount of the Credit not withdrawn from time to time at a rate to be set by the Association as of June 30 of each year, but not to exceed the rate of one-half of one percent (1/2 of 1%) per annum.

(b) The commitment charge shall accrue: (i) from the date sixty days after the date of this Agreement (the accrual date) to the respective dates on which amounts shall be withdrawn by the Borrower from the Credit Account or canceled; and (ii) at the rate set as of the June 30 immediately preceding the accrual date and at such other rates as may be set from time to time thereafter pursuant to paragraph (a) above. The rate set as of June 30 in each year shall be applied from the next date in that year specified in Section 2.06 of this Agreement.

(c) The commitment charge shall be paid: (i) at such places as the Association shall reasonably request; (ii) without restrictions of any kind imposed by, or in the territory of, the Borrower; and (iii) in the currency specified in this Agreement for the purposes of Section 4.02 of the General Conditions or in such other eligible currency or currencies as may from time to time be designated or selected pursuant to the provisions of that Section.

Section 2.05. The Borrower shall pay to the Association a service charge at the rate of three-fourths of one percent (3/4 of 1%) per annum on the principal amount of the Credit withdrawn and outstanding from time to time.

Section 2.06. Commitment charges and service charges shall be payable semiannually on April 1 and October 1 in each year.

Section 2.07. (a) Subject to paragraphs (b), (c) and (d) below, the Borrower shall repay the principal amount of the Credit in semiannual installments payable on each April 1 and October 1 commencing October 1, 2012 and ending April 1, 2042. Each installment to and including the installment payable on April 1, 2022 shall be one percent (1%) of such principal amount, and each installment thereafter shall be two percent (2%) of such principal amount.

(b) Whenever: (i) the Borrower's per capita gross national product (GNP), as determined by the Association, shall have exceeded for three consecutive years the level established annually by the Association for determining eligibility to access the Association's resources; and (ii) the Bank shall consider the Borrower creditworthy for Bank lending, the Association may, subsequent to the review and approval thereof by the Executive Directors of the Association and after due consideration by them of the development of the Borrower's economy, modify the repayment of installments under paragraph (a) above by: (A) requiring the Borrower to repay twice the amount of each such installment not yet due until the principal amount of the Credit shall have been repaid; and (B) requiring the Borrower to commence repayment of the principal amount of the Credit as of the first semiannual payment date referred to in paragraph (a) above falling six months or more after the date on which the Association notifies the Borrower that the events set out in this paragraph (b) have occurred, provided, however, that there shall be a grace period of a minimum of five years on such repayment of principal.

(c) If so requested by the Borrower, the Association may revise the modification referred to in paragraph (b) above to include, in lieu of some or all of the increase in the amounts of such installments, the payment of interest at an annual rate agreed with the Association on the principal amount of the Credit withdrawn and outstanding from time to time, provided that, in the judgment of the Association, such revision shall not change the grant element obtained under the above-mentioned repayment modification.

(d) If, at any time after a modification of terms pursuant to paragraph (b) above, the Association determines that the Borrower's economic condition has deteriorated significantly, the Association may, if so requested by the Borrower, further modify the terms of repayment to conform to the schedule of installments as provided in paragraph (a) above.

Section 2.08. The currency of the United states of America is hereby specified for the purposes of Section 4.02 of the General Conditions.

ARTICLE III

Execution of the Project

Section 3.01. (a) The Borrower declares its commitment to the objectives of the Project through NUMU as set forth in Schedule 2 to this Agreement, and, to this end, shall carry out the Project with due diligence and efficiency and in conformity with appropriate administrative, financial and environmental practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the Project.

(b) Without limitation upon the provisions of paragraph (a) of this Section and except as the Borrower and the Association shall otherwise agree, the Borrower shall carry out the Project in

accordance with the Implementation Program set forth in Schedule 4 to this Agreement.

Section 3.02. Except as the Association shall otherwise agree, procurement of the goods, works and consultants' services required for the Project and to be financed out of the proceeds of the Credit shall be governed by the provisions of Schedule 3 to this Agreement.

Section 3.03. For the purposes of Section 9.06 of the General Conditions and without limitation thereto, the Borrower shall:

(a) prepare, on the basis of guidelines acceptable to the Association, and furnish to the Association not later than six (6) months after the Closing Date or such later date as may be agreed for this purpose between the Borrower and the Association, a plan for the future operation of the Project; and

(b) afford the Association a reasonable opportunity to exchange views with the Borrower on said plan.

Section 3.04. Without limitation to its obligations under Section 3.01 of this Agreement, the Borrower shall:

(a) open and maintain an account in US\$ in a commercial bank acceptable to the Association on terms and conditions satisfactory to the Association (the "Project Account");

(b) promptly thereafter, make an initial deposit of US\$ equivalent to \$250,000 into the Project Account to finance the Borrower's contribution to the costs of the Project;

(c) thereafter deposit into the Project Account, on a quarterly basis, at the beginning of each such quarter, the amount required to replenish said Project Account in the following amounts:

(i) Project Year 1; US\$ equivalent to \$285,000,

(ii) Project Year 2; US\$ equivalent to \$490,000,

(iii) Project Year 3; US\$ equivalent to \$712,000,

(iv) Project Year 4; US\$ equivalent to \$712,000, and

(v) Project Year 5; US\$ equivalent to \$265,000; and

(d) use the funds in said Project Account exclusively to finance expenditures under the Project and not otherwise financed out of the proceeds of the Credit.

Section 3.05. The Borrower shall carry out the Environmental Management Plan, and prior to commencing work on a Subproject under the Project, establish environmental impact assessment procedures satisfactory to the Association for the design, procurement and implementation of Subprojects.

ARTICLE IV

Financial Covenants

Section 4.01. (a) The Borrower shall maintain a financial management system, including records and accounts, and prepare financial statements in a format acceptable to the Association, adequate to reflect the operations, resources and expenditures related to the Project.

(b) The Borrower shall:

- (i) have the records, accounts and financial statements referred to in paragraph (a) of this Section and the records and accounts for the Special Account for each fiscal year audited, in accordance with auditing standards acceptable to the Association, consistently applied, by independent auditors acceptable to the Association;
- (ii) furnish to the Association as soon as available, but in any case not later than six months after the end of each such year: (A) certified copies of the financial statements referred to in paragraph (a) of this Section for such year as so audited; and (B) an opinion on such statements, records and accounts and report of such audit, by said auditors, of such scope and in such detail as the Association shall have reasonably requested; and
- (iii) furnish to the Association such other information concerning such records and accounts, and the audit thereof, and concerning said auditors, as the Association may from time to time reasonably request.

(c) For all expenditures with respect to which withdrawals from the Credit Account were made on the basis of Financial Monitoring Reports, the Borrower shall:

- (i) maintain or cause to be maintained, in accordance with paragraph (a) of this Section, records and separate accounts reflecting such expenditures;
- (ii) retain, until at least one year after the Association has received the audit report for the fiscal year in which the last withdrawal from the Credit Account was made, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures;
- (iii) enable the Association's representatives to examine such records; and
- (iv) ensure that such records and accounts are included in the annual audit referred to in paragraph (b) of this Section and that the report of such audit contains a separate opinion by said auditors as to whether the Financial Monitoring Reports submitted during such fiscal year, together with the procedures and internal

controls involved in their preparation, can be relied upon to support the related withdrawals.

Section 4.02. (a) The Borrower shall prepare and furnish to the Association before or with the first application for withdrawal from the Credit Account and, thereafter, not later than 45 days after the end of each calendar quarter, a Financial Monitoring Report, in form and substance acceptable to the Association, which:

- (i) (A) sets forth actual sources and uses of funds for the Project, both cumulatively and for the period covered by said report, and projected sources and uses of funds for the Project for the six-month period following the period covered by said report; and (B) shows separately expenditures financed out of the proceeds of the Credit during the six-month period following the period covered by said report;
- (ii) (A) describes physical progress in Project implementation, both cumulatively and for the period covered by said report; and (B) explains variances between the actual implementation and previously forecast implementation targets; and
- (iii) sets forth the status of procurement under the Project and expenditures under contracts financed out of the proceeds of the Credit, as at the end of the period covered by said report.

(b) The first FMR shall be furnished to the Association not later than 45 days after the end of the first calendar quarter after the Effective Date, and shall cover the period from the incurrence of the first expenditure under the Project through the end of such first calendar quarter; thereafter, each FMR shall be furnished to the Association not later than 45 days after each subsequent calendar quarter, and shall cover such calendar quarter.

ARTICLE V

Remedies of the Association

Section 5.01. Pursuant to Section 6.02 (1) of the General Conditions, the following additional event is specified, namely, that a situation has arisen which shall make it improbable that the Program or a significant part thereof will be carried out.

ARTICLE VI

Effective Date; Termination

Section 6.01. The following events are specified as additional conditions to the effectiveness of the Development Credit Agreement within the meaning of Section 12.01 (b) of the General Conditions:

(a) the Borrower has established NUMU, in a form and with functions and resources, satisfactory to the Association, and appointed to NUMU the following personnel with terms of reference, qualifications and experience satisfactory to the Association: (i) an executive director; (ii) a project accountant; (iii) an IEC specialist; (iv) a participation expert; and (v) an MIS expert;

(b) the Borrower has adopted: (i) the Operational Manual; and (ii) an accounting and financial management system and handbook, all in form and substance satisfactory to the Association;

(c) the Project Account has been opened and the initial contribution referred to in Section 3.04 (b) of this Agreement has been deposited therein; and

(d) the Borrower has signed Memoranda of Understanding with at least 9 District Councils.

Section 6.02. The date ninety (90) days after the date of this Agreement is hereby specified for the purposes of Section 12.04 of the General Conditions.

ARTICLE VII

Representative of the Borrower; Addresses

Section 7.01. The Minister of the Borrower at the time responsible for finance is designated as representative of the Borrower for the purposes of Section 11.03 of the General Conditions.

Section 7.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Borrower:

Ministry of Finance, Planning and
Economic Development
PO Box 8147
Kampala, Uganda

Cable address:

FINSEC

Facsimile:

230163

For the Association:

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

Cable address:

Telex:

Facsimile

INDEVAS
Washington, D.C.

248423 (MCI) or
64145 (MCI)

(202) 477-6391

IN WITNESS WHEREOF, the parties hereto, acting through their duly authorized representatives, have caused this Agreement to be signed in their respective names in the District of Columbia, United States of America, as of the day and year first above written.

THE REPUBLIC OF UGANDA

By /s/ Emmanuel Bwomono-Olobo
Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Theodore Ahlers
Acting Regional Vice President
Africa

SCHEDULE 1

Withdrawal of the Proceeds of the Credit

A. General

1. The table below sets forth the Categories of items to be financed out of the proceeds of the Credit, the allocation of the amounts of the Credit to each Category and the percentage of expenditures for items so to be financed in each Category:

<u>Category</u>	<u>Amount of the Credit Allocated (Expressed in SDR Equivalent)</u>	<u>% of Expenditures to be Financed</u>
(1) Subprojects	63,110,000	90% of amounts disbursed
(2) Goods and vehicles	1,770,000	100% of foreign expenditures; 100% of local expenditures (ex-factory cost) and 90% of local expenditures for other items procured locally
(3) Consultants' Services, Training and Audit fees	2,803,000	90%
(4) Operating Costs	3,370,000	90% of local expenditures
(5) Refunding of Project Preparation Advance	821,000	Amount due pursuant to Section 2.02 (b) of this Agreement
(6) Unallocated	8,226,000	
TOTAL	80,100,000	

2. For the purposes of this Schedule:

(a) the term "foreign expenditures" means expenditures in the currency of any country other than that of the Borrower for goods or services supplied from the territory of any country other than that of the Borrower;

(b) the term "local expenditures" means expenditures in the currency of the Borrower or for goods or services supplied from the territory of the Borrower; and

(c) the term "Operating Costs" means the incremental operating costs arising under the Project on account of maintenance of vehicles, fuel, equipment, rent for no more than nine (9) District Project Offices, office supplies, utilities, consumables, salaries of Project support staff, travel and accommodation, but excluding salaries of the Borrower's civil servants.

3. Notwithstanding the provisions of paragraph (1) above, no withdrawals shall be made in respect of payments made for:

(a) expenditures prior to the date of this Agreement; and

(b) expenditures under category (1) unless the Grants are made for financing of a Subproject in accordance with the criteria, procedures and terms and conditions set forth or referred to in paragraphs (5) through (9) and paragraph (11) of Schedule 4 to this Agreement.

B. Special Account

1. The Borrower shall open and maintain in dollars a special deposit account in a commercial bank, on terms and conditions satisfactory to the Association, including appropriate protection against set-off, seizure and attachment. Except as the Association may otherwise specify by notice to the Borrower, all withdrawals from the Credit Account shall be deposited by the Association into the Special Account in accordance with the provisions of this Schedule. Payments out of the Special Account shall be exclusively for Eligible Expenditures. For each payment made by the Borrower out of the Special Account, the Borrower shall, at such time as the Association shall reasonably request, furnish to the Association such documents and other evidence showing that such payment was made exclusively for Eligible Expenditures.

2. Except as the Association shall otherwise agree, after the Association has received evidence satisfactory to it that the Special Account has been duly opened, withdrawals from the Credit Account of amounts to be deposited into the Special Account shall be made as follows:

(a) Each application for withdrawal from the Credit Account shall be supported by a Financial Monitoring Report.

(b) Upon receipt of each application for withdrawal of an amount of the Credit, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and deposit into the Special Account an amount equal to the lesser of: (i) the amount so requested; and (ii) the amount which the Association has determined, based on the Financial Monitoring Report accompanying said application, is required to be deposited in order to finance Eligible Expenditures during the six-month period following the date of such report; provided, however, that the amount so deposited, when added to the amount indicated by said report to be remaining in the Special Account, shall not exceed the equivalent of \$15,000,000. Each such deposit into the Special Account shall be withdrawn by the Association from the Credit Account under one or more of the Special Account's Eligible Categories.

3. Notwithstanding the provisions of Part B.2 of this Schedule, the Association shall not be required to make further deposits into the Special Account:

(a) if the Association determines at any time that any Financial Monitoring Report does not adequately provide the information required pursuant to Section 4.02 of this Agreement;

(b) if the Association determines at any time that all further withdrawals should be made by

the Borrower directly from the Credit Account; or

(c) if the Borrower shall have failed to furnish to the Association, within the period of time specified in Section 4.01(b) (ii) of this Agreement, any of the audit reports required to be furnished to the Association pursuant to said Section in respect of the audit of: (A) the records and accounts for the Special Account, or (B) the records and accounts reflecting expenditures with respect to which withdrawals were made on the basis of Financial Monitoring Reports.

4. The Association shall not be required to make further deposits into the Special Account in accordance with the provisions of Part B.2 of this Schedule if, at any time, the Association shall have notified the Borrower of its intention to suspend in whole or in part the right of the Borrower to make withdrawals from the Credit Account pursuant to Section 6.02 of the General Conditions. Upon such notification, the Association shall determine, in its sole discretion, whether further deposits into the Special Account may be made and what procedures should be followed for making such deposits, and shall notify the Borrower of its determination.

5. (a) If the Association determines at any time that any payment out of the Special Account was made for an expenditure which is not an Eligible Expenditure, or was not justified by the evidence furnished to the Association, the Borrower shall, promptly upon notice from the Association, provide such additional evidence as the Association may request, or deposit into the Special Account (or, if the Association shall so request, refund to the Association) an amount equal to the amount of such payment.

(b) If the Association determines at any time that any amount outstanding in the Special Account will not be required to cover payments for Eligible Expenditures during the six-month period following such determination, the Borrower shall, promptly upon notice from the Association, refund to the Association such outstanding amount.

(c) The Borrower may, upon notice to the Association, refund to the Association all or any portion of the funds on deposit in the Special Account.

(d) Refunds to the Association made pursuant to sub-paragraph (a), (b) or (c) of this paragraph 5 shall be credited to the Credit Account for subsequent withdrawal or for cancellation in accordance with the provisions of the Development Credit Agreement.

SCHEDULE 2

Description of the Project

The objectives of the Project are to support the Borrower's efforts to empower communities living in Northern Uganda and influence their livelihood through: (a) enhancing the capacity of the communities to systematically identify, prioritize and plan for their needs; (b) strengthening the on-going reconciliation process in Northern Uganda; and (c) implementing sustainable development initiatives that improve socio-economic services and opportunities and support vulnerable groups, including youth and women affected by conflict.

The Project consists of the following parts, subject to such modifications thereof as the Borrower and the Association may agree upon from time to time to achieve such objectives:

Part A: Community Development Initiatives

1. Supporting initiatives to improve the accessibility of community services and enhance the capacity of communities and other stakeholders.
2. Carrying out Subprojects identified by Beneficiaries, in education, health, agriculture, water and sanitation sectors, and construction or rehabilitation of village roads and bridges, afforestation, terracing, and other modes of soil conservation, and other small-scale activities relevant to community development.
3. Strengthening the capacity of: (a) communities; and (b) LAs, CSOs, CBOs and other institutions, all to identify, plan, implement, manage, operate and maintain Subprojects.

Part B: Vulnerable Groups Support

1. Strengthening the capacities of LAs, CSOs, NGOs, CBOs and other institutions to alleviate the poverty of, *inter alia*, internally displaced persons, children that were abducted, youth, the aged, female headed households, widows, widowers, HIV/AIDS affected and people living with HIV/AIDS, orphans and foster parents, the destitute and the people with disabilities.
2. Carrying out income generating activities, including: (a) provision of skilled technical training specifically designed for the youth in the Communities and provision of tools of trade on completion; (b) Subprojects for rehabilitation and expansion of existing vocational training facilities; and (c) provision of support to CSOs to alleviate poverty of targeted vulnerable groups.

Part C: Community Reconciliation and Conflict Management

1. Encouraging communities to identify innovative ways for reconciliation and conflict management using traditional and non-traditional mechanisms.
2. Facilitating reconciliation meetings and negotiations between clans or tribes, inter-tribal dialogue including visits to other Districts, counseling of returnees and communities.
3. Developing a monitoring and evaluation system to enable communities to assess progress in reconciliation.

Part D: Institutional Development

1. Capacity building and training for members of NUMU and other Project staff.

2. Capacity building and training activities to orient target groups, including, communities, LAs, CSOs, NGOs and the private sector and civil service officials, and to, inter alia, develop basic skills in bookkeeping, accountancy and leadership.

3. Capacity building for activities relating to IEC including:

(a) initiatives to inform stakeholders on objectives, processes and activities of the Project, and to ascertain the views of stakeholders;

(b) building alliances and partnerships among communities, LAs, CSOs, NGOs, private sector and civil service officials;

(c) activities to sensitize stakeholders and clarify respective roles, document implementation of the Project, the Subprojects under Part A of the Project, and the initiatives under Parts B and C of the Project;

(d) dissemination of information through, inter alia, radio, drama, song and print media; and

(e) documentation, dissemination and exchange of information on the development experience among the stakeholders.

4. Capacity building for monitoring and evaluation activities including: (a) the carrying out of activities designed to strengthen the monitoring system at the District level and a suitable system for sustainable poverty monitoring and analysis in Northern Uganda; (b) complementing the Borrower's efforts to develop a harmonized monitoring and evaluation system; (c) facilitating access to information on vulnerability and conflict in the Northern Uganda; and (d) the carrying out of baseline survey for all the Districts covered under the Project as part of the household income and expenditure surveys that UBOS regularly carries out, as well as midterm and end of project surveys.

5. Development of: (a) appropriate monitoring indicators and an MIS designed to assist in tracking the progress of the Project; and (b) a Project tracking system to monitor implementation of Subprojects and other Project activities.

* * *

The Project is expected to be completed by September 30, 2007.

SCHEDULE 3

Procurement

Section I. Procurement of Good and Works

Part A: General

Goods and works shall be procured in accordance with the provisions of Section I of the “Guidelines for Procurement under IBRD Loans and IDA Credits” published by the Bank in January 1995 and revised in January and August 1996, September 1997 and January 1999 (the Guidelines).

Part B: International Competitive Bidding

1. Except as otherwise provided in Part C of this Section, goods and works shall be procured under contracts awarded in accordance with the provisions of Section II of the Guidelines and paragraph 5 of Appendix 1 thereto.

2. The following provisions shall apply to goods and works to be procured under contracts awarded in accordance with the provisions of paragraph 1 of this Part B:

(a) Preference for domestically manufactured goods and domestic contractors

The provisions of paragraphs 2.54 and 2.55 of the Guidelines and Appendix 2 thereto shall apply to goods manufactured in the territory of the Borrower and works to be carried out by domestic contractors.

(b) Notification and Advertising

The invitation to bid for each contract estimated to cost \$200,000, equivalent or more shall be advertised in accordance with the procedures applicable to large contracts under paragraph 2.8 of the Guidelines.

Part C: Other Procurement Procedures

1. National Competitive Bidding

Goods estimated to cost less than \$100,000 equivalent per contract, up to an aggregate amount not to exceed \$500,000 equivalent, may be procured under contracts awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines.

2. International or National Shopping

Goods estimated to cost less than \$25,000 equivalent per contract, up to an aggregate amount not to exceed \$500,000 equivalent, may be procured under contracts awarded on the basis of shopping procedures in accordance with the provisions of paragraphs 3.5 and 3.6 of the Guidelines.

3. Force Account

Works which meet the requirements of paragraph 3.8 of the Guidelines, and costing \$2,000,000 equivalent or less in the aggregate, may, with the Association's prior agreement, be carried out by force account in accordance with the provisions of said paragraph of the Guidelines.

4. Procurement from UN Agencies

Equipment, motor vehicles and furniture, up to an aggregate amount not to exceed \$200,000 equivalent, may be procured from IAPSO in accordance with the provisions of paragraph 3.9 of the Guidelines.

5. Community Participation

Goods and works required for Parts A, B and C of the Project, up to an aggregate amount not to exceed \$86,200,000 equivalent, shall be procured in accordance with the provisions of paragraph 3.15 of the Guidelines.

6. Procurement of Small Works

Works estimated to cost less than \$20,000 equivalent per contract, up to an aggregate amount not to exceed \$82,100,000 equivalent, may be procured under lump-sum, fixed-price contracts awarded on the basis of quotations obtained from three (3) qualified domestic contractors in response to a written invitation. The invitation shall include a detailed description of the works, including basic specifications, the required completion date, a basic form of agreement acceptable to the Association, and relevant drawings, where applicable. The award shall be made to the contractor who offers the lowest price quotation for the required work, and who has the experience and resources to complete the contract successfully.

Part D: Review by the Association of Procurement Decisions

1. Procurement Planning

Prior to the issuance of any invitations to bid for contracts, the proposed procurement plan for the Project shall be furnished to the Association for its review and approval, in accordance with the provisions of paragraph 1 of Appendix 1 to the Guidelines. Procurement of all goods and works shall be undertaken in accordance with such procurement plan as shall have been approved by the Association, and with the provisions of said paragraph 1.

2. Prior Review

(a) With respect to: (i) the first five contracts for goods estimated to cost the equivalent of \$100,000 or more; and (ii) the first five contracts for works under Parts A and B, contracts for works

estimated to cost the equivalent of \$50,000 or more under Part A of the Project and contracts for works estimated to cost the equivalent of \$20,000 or more under Part B of the Project, the procedures set forth in paragraphs 2 and 3 of Appendix 1 to the Guidelines shall apply.

3. Post Review

With respect to each contract not governed by paragraph 2 of this Part, the procedures set forth in paragraph 4 of Appendix 1 to the Guidelines shall apply.

Section II. Employment of Consultants

Part A: General

Consultants' services shall be procured in accordance with the provisions of the Introduction and Section IV of the "Guidelines: Selection and Employment of Consultants by World Bank Borrowers" published by the Association in January 1997 and revised in September 1997 and January 1999, subject to the modifications thereto set forth in paragraph 2 of this Part A (the Consultant Guidelines).

Part B: Quality- and Cost-based Selection

1. Except as otherwise provided in Part C of this Section, consultants' services shall be procured under contracts awarded in accordance with the provisions of Section II of the Consultant Guidelines, paragraph 3 of Appendix 1 thereto, Appendix 2 thereto, and the provisions of paragraphs 3.13 through 3.18 thereof applicable to quality- and cost-based selection of consultants.

2. The following provisions shall apply to consultants' services to be procured under contracts awarded in accordance with the provisions of the preceding paragraph. The short list of consultants for services, estimated to cost less than \$100,000 equivalent per contract, may comprise entirely national consultants in accordance with the provisions of paragraph 2.7 of the Consultant Guidelines.

Part C: Other Procedures for the Selection of Consultants

1. Selection Based on Consultants' Qualifications

Services estimated to cost less than \$100,000 equivalent per contract may be procured under contracts awarded in accordance with the provisions of paragraphs 3.1 and 3.7 of the Consultant Guidelines.

2. Single Source Selection

Services that meet the requirements set forth in paragraphs 3.8 through 3.11 of the Consultant Guidelines, up to an aggregate amount not to exceed \$400,000 equivalent, may be procured under

contracts awarded on single source basis.

3. Individual Consultants

Services that meet the requirements set forth in paragraph 5.1 of the Consultant Guidelines shall be procured under contracts awarded to individual consultants in accordance with the provisions of paragraphs 5.1 through 5.3 of the Consultant Guidelines.

Part D: Review by the Association of the Selection of Consultants

1. Selection Planning

Prior to the issuance to consultants of any requests for proposals, the proposed plan for the selection of consultants under the Project shall be furnished to the Association for its review and approval, in accordance with the provisions of paragraph 1 of Appendix 1 to the Consultant Guidelines. Selection of all consultants' services shall be undertaken in accordance with such selection plan as shall have been approved by the Association, and with the provisions of said paragraph 1.

2. Prior Review

(a) With respect to each contract for the employment of consulting firms estimated to cost the equivalent of \$100,000 or more, the procedures set forth in paragraphs 1, 2 (other than the third subparagraph of paragraph 2(a)) and 5 of Appendix 1 to the Consultant Guidelines shall apply.

(b) With respect to each contract for the employment of individual consultants estimated to cost the equivalent of \$50,000 or more, the qualifications, experience, terms of reference and terms of employment of the consultants shall be furnished to the Association for its prior review and approval. The contract shall be awarded only after the said approval shall have been given.

3. Post Review

With respect to each contract not governed by paragraph 2 of this Part, the procedures set forth in paragraph 4 of Appendix 1 to the Consultant Guidelines shall apply.

SCHEDULE 4

Implementation Program

Part A: Project Implementation

1. (a) The Borrower shall prepare and furnish to the Association an Operational Manual, in a form and substance satisfactory to the Association setting out details of administrative and operational procedures, planning, approval and implementation of plans, disbursement of funds, monitoring and

performance indicators, Environmental Assessment Guidelines and Checklist.

(b) The Borrower shall implement the Project or cause the Project to be implemented in accordance with the Operational Manual and the Environmental Management Plan, and, except as the Borrower and the Association shall otherwise agree, the Borrower shall not amend or waive any provision thereof, if in the opinion of the Association, such amendment or waiver may materially and adversely affect the carrying out of the Project or the achievement of the objectives thereof.

2. NSC:

(a) The Borrower shall establish and maintain the NSC in a form and with functions and resources satisfactory to the Association.

(b) The NSC shall be comprised of the Permanent Secretary to Office of the Prime Minister as its chair, representatives of the Borrower, CSOs, and the private sector.

(c) The NSC shall be responsible for overall management guidance of the Project, coordination of sector linkages, approval of NUMU budget, reviewing and approving the annual work plans and Subprojects, monitoring and evaluation of the implementation and impact of Subprojects.

3. NUMU:

(a) The Borrower shall establish and maintain in Northern Uganda, the NUMU in a form and with functions and resources satisfactory to the Association.

(b) The Borrower shall, through the NSC, appoint or recruit and assign to the NUMU the following personnel with qualifications and experience satisfactory to the Association: (i) executive director; (ii) two technical directors responsible for Parts A and B of the Project respectively; (iii) a director responsible for finance and administration; (iv) experts in IEC, monitoring and evaluation, MIS, procurement, infrastructure, internal audit, accounting and administration; (v) a liaison officer within the Office of the Prime Minister in the Borrower's Capital; and (vi) staff, including, a technical officer and an accounts assistant at District level.

(c) The NUMU shall be responsible for overall management of the Project, including initiating promotion activities for the Project, assisting District-level Project staff and staff of LAs, CSOs, NGOs and private sector agencies, management of the Project performance including implementation and financial management of operations, providing technical supervision of Subprojects, building capacity of CPMCs, LAs, CSOs, NGOs and private sector agencies at District and community levels, and preparation and submission of quarterly and annual reports.

4. District Council and DEC:

(a) The Borrower shall maintain in each District under the Project a DEC in accordance with the provisions of the Local Governments Act, 1997 and with functions and resources satisfactory to

the Bank.

(b) The DEC shall for the purpose of the Project co-opt the Chief Administrative Officer of the District during its deliberations.

(c) The DEC shall be responsible for promotion and guidance of project operations in the District, approval of draft annual work programs and reports prior to their submission to NUMU and the NSC respectively, endorsing on Subproject proposals approved by DTPC, and the receipt and approval of Subproject accounts.

Part B: Subprojects

5. The Borrower undertakes that, unless the Association shall otherwise agree, Subprojects will be identified, appraised and carried out in accordance with the procedures and on the terms and conditions set forth or referred to in the Operational Manual and as follows:

6. The Subprojects shall be:

(a) initiated by a Beneficiary duly represented by a CPMC;

(b) economically, financially and technically viable in accordance with the standards specified in the Operational Manual; and

(c) in compliance with the standards set forth in the applicable laws and regulations of the Borrower relating to health, safety and environmental protection.

7. To be eligible for a Grant to implement a Subproject the Beneficiary shall:

(a) contribute in the form of cash or in kind, not less than: (i) 20% of the total cost of a Subproject under Part A of the Project; and (ii) 5% of the total cost of a Subproject under Parts B and C of the Project, and for complex Subprojects under Part A of the Project;

(b) furnish to NUMU, along with its Subproject proposal a plan for the maintenance of the completed Subproject;

(c) elect a CPMC from among the stakeholders to provide leadership in the design, appraisal, implementation and monitoring of a Subproject; and

(d) open and operate, through its CPMC an account with a bank or a financial institution to receive, disburse and account for resources raised by the Beneficiaries and allocated to a Subproject.

8. The Borrower shall ensure that all Subprojects are appropriately integrated into the budgets and work programs of the respective LAs and of the technical agencies representing a relevant Line Ministry.

9. The Borrower shall ensure that no Subprojects shall be approved for Grant if they involve involuntary resettlement.

Part C: Memorandum of Understanding

10. The Borrower shall enter into a Memorandum of Understanding with each District Council on the following terms and conditions:

(a) require that the DEC: (i) assesses Subprojects in accordance with the criteria set forth in the Operational Manual; (ii) maintains adequate records to reflect, in accordance with sound accounting practices, the operations, resources and expenditures relating to Subprojects; and (iii) evaluates and monitors the implementation of Subprojects in its respective District in accordance with the procedures set forth in the Operational Manual;

(b) require that the goods, works and services to be financed from the proceeds of the Credit: (i) be procured in accordance with procedures ensuring efficiency and economy and in accordance with the provisions of Schedule 3 to this Agreement; and (ii) be used exclusively in the carrying out of Subprojects; and

(c) reserve for the Borrower the right to:

(i) inspect by itself, or jointly with the Association, if the Association shall so request, the goods, works, sites and construction included in Subprojects, the operations thereof and any relevant records and documents;

(ii) obtain all information as the Borrower or the Association shall reasonably request regarding the administration, operation and financial conditions of LAs, CSOs, NGOs, CBOs or private sector agencies; and

(iii) suspend or terminate the right of a LA, CSO, NGO, CBO or private sector agency to use the proceeds of the Credit upon the failure by such LA, CSO, NGO or CBO to perform any of its obligations under the Credit.

Part D: Subproject Agreement

11. The Borrower shall conclude a Subproject Agreement with each CPMC on behalf of the Beneficiaries setting out the modalities, obligations and responsibilities in respect to implementation and management of an identified Subproject. The terms and conditions of each Subproject Agreement shall, inter alia, provide that:

(a) CPMC in collaboration with District personnel trained by NEMA shall undertake an environment assessment for the Subproject in accordance with the Environmental Assessment Guidelines

and Checklist, and determine measures to avoid or minimize impacts which will be incorporated into the Subproject Implementation Plan.

(b) the LA, NGO, CSO, CBO or private sector agency selected to implement the Subproject pursuant to the criteria set out under paragraph 6 of this Schedule, shall carry out the Subproject in accordance with the Subproject Implementation Plan and the Environmental Assessment Guidelines and Checklist.

(c) (i) CPMC; and (ii) any NGO, CSO or private sector agency selected to implement a Subproject, shall open and maintain in US\$ a subproject account in a commercial bank or other financial institution on terms and conditions satisfactory to the Borrower and to the Association, including appropriate protection against set-off, seizure and attachment.

Part E: Monitoring and Reporting

12. The Borrower shall:

(a) maintain policies and procedures adequate to enable it to monitor and evaluate on an ongoing basis, in accordance with the indicators set forth in Schedule 5 to this Agreement, the carrying out of the Project and the achievement of the objectives thereof;

(b) prepare, under terms of reference satisfactory to the Association, and furnish to the Association, on or about March 31, 2005, a report integrating the results of the monitoring and evaluation activities performed pursuant to paragraph (a) of this Section, on the progress achieved in the carrying out of the Project during the period preceding the date of said report and setting out the measures recommended to ensure the efficient carrying out of the Project and the achievement of the objectives thereof during the period following such date;

(c) carry out, jointly with the Association, not later than September 30 of each year, commencing on September 30, 2003, an annual review on all matters relating to the progress of the Project and the effectiveness of the Project in achieving its objectives;

(d) prepare under terms of reference satisfactory to the Association, and furnish to the Association, on or about March 31, June 30, September 30 and December 31, a quarterly report, which shall cover salient aspects of the Project, including: (i) progress made in meeting the Project's objectives; and (ii) overall Project performance by the Borrower of the Project; and

(e) review with the Association, not later than four weeks after submission of the reports referred to in paragraphs (b) and (c) of this Section, or such later date as the Association shall request, the reports referred to in paragraphs (b) and (c) of this Section, and, thereafter, take all measures required to ensure the efficient completion of the Project and the achievement of the objectives thereof, based on the conclusions and recommendations of the said report and the Association's views on the matter.

SCHEDULE 5

Performance Indicators

For the purpose of this Agreement, the provisions of the General Conditions are modified as follows:

Outcome Indicators :

<u>Output</u>	<u>Indicator</u>	<u>Target</u> <u>(mid-term review)</u>
1. Socio-economic infrastructure provided and in use	(a) proportion of Sub-projects completed on time (12 months)	70%
	(b) number of households using Sub-projects by end of Project	200,000
	(c) proportion of facilities maintained by communities	80%
2. Vulnerable groups provided with support	(a) Number of persons in receipt of assistance	55,000
	(b) number of CSOs facilitated and strengthened	140
	(c) number of Subprojects developed and managed by vulnerable groups	2,500
3. Efficient, effective and responsive institutions	(a) rejection rate of Subprojects at field appraisal stage	25%
	(b) communities trained to maintain facilities by end of Project	80%
	(c) proportion of timely District tranching of funds to Subproject implementers	80%
	(d) proportion of women involved in Community Reconciliation and Conflict Management activities (CRCM) and training	30%
	(e) proportion of communities aware of the Project by year 3	90%

4. Communities reached with reconciliation and conflict management support	(a) number of community reconciliation and conflict management tools (IEC packages, handbooks, etc.) identified, developed, and in use by mid-term review	10
	(b) number of specific activities (training, supplies, etc.) targeted at traditional institutions for reconciliation by end of Project	2,000
	(c) number of community reconciliation promoters trained and deployed in sub-regions by mid-term review	500
	(d) number of communities supported by community reconciliation related NGOs, CBOs and other agencies by end of Project	800
	(e) proportion of Sub-project complete and in use by end of Project	80%

