

CONFORMED COPY

CREDIT NUMBER 2176 UG

(Livestock Services Project)

between

THE REPUBLIC OF UGANDA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated November 7, 1990

CREDIT NUMBER 2176 UG

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated November 7, 1990, between THE REPUBLIC OF UGANDA (the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

WHEREAS 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,

with the last sentence of Section 3.02 deleted (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) "MAIF" means the Borrower's Ministry of Animal Industry and Fisheries;

(b) "DVSAI" means the Department of Veterinary Services and Animal Industry within MAIF;

(c) "DTC" means the Department of Tsetse Control within MAIF;

(d) "AHRC" means the Animal Health Research Center within DVSAI;

(e) "UVA" means the Uganda Veterinary Association;

(f) "PCU" means the Project Coordination Unit to be established within MAIF;

(g) "Participating Bank" means a bank selected by the Borrower to participate in the credit scheme under Part D 1 of the Project, in accordance with criteria satisfactory to the Association, including appropriate administrative capability and the required operational branch network.

(h) "Subsidiary Loan Agreement" means the agreement to be entered into by the Borrower with one or more Participating Banks pursuant to Section 3.03 (a) of this Agreement, as the same may be amended from time to time, and such term includes all schedules to the Subsidiary Loan Agreement.

(i) "Project Preparation Advance" means the project preparation advance granted by the Association to the Borrower pursuant to exchanges of letters dated, April 11, 1988, May 11, 1988, March 16, 1990 and April 24, 1990, between the Borrower and the Association; and

(j) "Special Account" means the account referred to in Section 2.02 (b) of this Agreement.

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 this Agreement, an amount in various currencies equivalent to sixteen million one hundred thousand Special Drawing Rights (SDR 16,100,000).

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 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 described in Schedule 2 to this Agreement and to be financed out of the proceeds of the Credit.

(b) The Borrower shall, for the purposes of the Project, open and maintain in U.S. Dollars through the Bank of Uganda a special deposit account in a commercial bank on terms and conditions satisfactory to the Association, including appropriate protection against set-off, seizure or attachment. Deposits into, and payments out of, the Special Account shall be made in accordance with the provisions of Schedule 5 to this Agreement.

(c) 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 cancelled.

Section 2.03. The Closing Date shall be June 30, 1996 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 cancelled; and (ii) at the rate set as of the June 30 immediately preceding the accrual date or 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 payment 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 June 1 and December 1 in each year.

Section 2.07. (a) Subject to paragraphs (b) and (c) below, the Borrower shall repay the principal amount of the Credit in semi-annual installments payable on each June 1 and December 1 commencing December 1, 2000 and ending June 1, 2030. Each installment to and including the installment payable on June 1, 2010 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 gross national product per capita, as determined by the Association, shall have exceeded \$790 in constant 1985 dollars for five consecutive years; 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 terms of repayment of installments under paragraph (a) above by 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. If so requested by the Borrower, the Association may revise such modification 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.

(c) If, at any time after a modification of terms pursuant to paragraph (b) above, the Association determines that the Bor-

rower'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 as set forth in Schedule 2 to this Agreement and, to this end, shall carry out the Project through MAIF and UVA with due diligence and efficiency and in conformity with appropriate financial and administrative 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. (a) The Borrower shall relend an amount not exceeding the equivalent of two million three hundred thousand dollars (\$2,300,000) from the proceeds of the Credit to Participating Banks under Subsidiary Loan Agreements to be entered into between the Borrower and Participating Banks under terms and conditions which shall have been approved by the Association, which shall include: (i) an undertaking by Participating Banks to on-lend the proceeds of the Subsidiary Loan to veterinarians and UVA under Part D.1 of the Project under the terms and conditions specified in paragraphs 11, 12 and 13 of Schedule 4 to this Agreement; (ii) a repayment period not exceeding ten years; and (iii) interest at the rate of thirty four and one-half percent (34.5%) per annum.

(b) The Borrower shall exercise its rights under the Subsidiary Loan Agreements in such manner as to protect the interest of the Borrower and the Association and to accomplish the purposes of the Credit and, except as the Association shall otherwise agree, the Borrower shall not assign, amend, abrogate or waive the Subsidiary Loan Agreements or any provisions thereof.

Section 3.04. (a) In order to assist MAIF to cover part of the incremental cost of Part A of the Project, the Borrower shall, unless otherwise agreed with the Association, take all measures necessary to:

- (i) levy a twenty percent user fee, on the CIF cost and handling charges of veterinary curative drugs financed from the proceeds of the Credit under Part A of the Project, by March 31, 1991; and
- (ii) introduce a nominal vaccination fee, of not less than the Uganda Shillings equivalent of \$0.50 per head of cattle, by December 31, 1993.

(b) The Borrower shall open and maintain in the Bank of Uganda, in the name of MAIF, an account and deposit therein the proceeds of all sales of veterinary curative drugs procured under Part A of the Project, and use such funds to exclusively finance incremental operational costs pursuant to paragraph 2 (c) of Schedule 1 to this Agreement.

ARTICLE IV

Financial Covenants

Section 4.01. (a) The Borrower shall maintain or cause to be maintained records and accounts adequate to reflect in accordance with sound accounting practices the operations, resources and expenditures in respect of the Project of the departments or agencies of the Borrower responsible for carrying out the Project or any part thereof.

(b) The Borrower shall:

- (i) have the records and accounts referred to in paragraph (a) of this Section including those for the Special Account for each fiscal year audited, in accordance with appropriate auditing principles 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 copy of the 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 said records, accounts and the audit thereof as the Association shall 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 statements of expenditure, the Borrower shall:

- (i) maintain or cause to be maintained, in accordance with paragraph (a) of this Section, records and accounts reflecting such expenditures;
- (ii) retain, until at least one year after the Bank has received the audit report for the fiscal year in which the last withdrawal from the Loan Account or payment out of the Special 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 statements of expenditure 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.

ARTICLE V

Effective Date; Termination

Section 5.01. The following events are specified as additional conditions to the effectiveness of this Agreement within the meaning of Section 12.01 (b) of the General Conditions:

(a) the Borrower has established the Project Management Committee and appointed its members pursuant to paragraph 3 of

Schedule 4 to this Agreement;

(b) the recruitment of: (i) a veterinary epidemiologist, (ii) a laboratory technologist, (iii) a tsetse control specialist, (iv) a forage development specialist, (v) a business management specialist, and (vi) an organization and management specialist pursuant to paragraphs 7, 8, 9, 10 and 16 of Schedule 4 to this Agreement; and

(c) the Subsidiary Loan Agreements have been executed pursuant to Section 3.03 (a) of this Agreement.

Section 5.02. The following is specified as an additional matter, within the meaning of Section 12.02 (b) of the General Conditions, to be included in the opinion or opinions to be furnished to the Association, namely, that the Subsidiary Loan Agreements have been duly authorized or ratified by the Borrower and the Participating Banks and are legally binding upon the Borrower and the Participating Banks in accordance with its terms.

Section 5.03. 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 VI

Representatives of the Borrower; Addresses

Section 6.01. The Minister of Finance of the Borrower is designated as representative of the Borrower for the purposes of Section 11.03 of the General Conditions.

Section 6.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Borrower:

Ministry of Finance
P.O. Box 8147
Kampala, Uganda

Cable address:

FINSEC
Kampala

Telex:

61170

For the Association:

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

Cable address:

INDEVAS
Washington, D.C.

Telex:

248423 (RCA)
82987 (FTCC)
64145 (WUI) or
197688 (TRT)

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/ Stephen K. Katenta-Apuli
Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Edward V. K. Jaycox
Regional Vice President
Africa

SCHEDULE 1

Withdrawal of the Proceeds of the Credit

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:

Category	Amount of the Credit Allocated (Expressed SDR Equivalent)	% of Expenditures to be Financed
(1) Civil Works	1,760,000	100% of foreign expenditures and 80% of local expenditures
(2) Vehicles, equipment, drugs and seeds	5,380,000	100% of foreign expenditures and 80% of local expenditures
(3) Credit under Part D.1 of the Project	1,530,000	100%
(4) Incremental Operating Costs	2,220,000	100% for the period through June 30, 1992; 60% in fiscal year 1992-93; 45% in fiscal year 1993-94; 25% in fiscal year 1994-95; and 15% from July 1, 1995 through December 31, 1995
Category	Amount of the Credit Allocated (Expressed SDR Equivalent)	% of Expenditures to be Financed
(5) Technical assistance and training	3,070,000	100% of foreign expenditures and 80% of local expenditures
(6) Refunding of Project Preparation Advance	610,000	Amounts due pursuant to Section 2.02 (c) of this Agreement
(7) Unallocated	1,530,000	
TOTAL	16,100,000	

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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 "incremental operating costs" means expenditures incurred for: (i) repair and maintenance of vehicles and heavy equipment financed under the Project; (ii) laboratory and office supplies; and (iii) allowances for staff of PCU, Project Management Committee, DVSAI, Department of Tsetse Control and the Faculties of Veterinary Medicine and Agriculture of Makerere University.

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of payments made for expenditures prior to the date of this Agreement.

SCHEDULE 2

Description of the Project

The objectives of the Project are: (a) to reverse the deterioration of the animal epidemic disease situation in Uganda; (b) to improve the quality and effectiveness of livestock services provided by MAIF; and (c) to support the Borrower's policy of encouraging the development of private veterinary practices for curative services and the distribution of drugs through private channels.

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: National Animal Disease Control

1. Establishment of three mobile service units equipped to control animal disease outbreaks through the acquisition of vehicles, including motorcycles, bicycles, mobile laboratories, veterinary and workshop equipment, curative drugs and vaccines and the construction and renovation of district veterinary offices.

2. Rehabilitation of MAIF's diagnostic facilities through technical assistance and training.

Part B: Tsetse Fly Control

Implementation of a tsetse eradication program in the Luwero, Mubende, Masindi and Hoima districts including: (i) renovation of DTC's staff housing, office accommodation, laboratory and workshop facilities at Masindi and the central tsetse control laboratory in Kampala; (ii) acquisition of vehicles, plant, equipment and insecticides; and (iii) technical assistance and training.

Part C: Forage Development

Expansion and improvement of forage production including: (i) seed production and services covering about 7,500 milk producing farms, 12,000 ha communal and ranch areas and 10,000 km of grass strips to protect terraced cultivation; and (ii) establishment of a forage development unit within DVSAI through renovation of facilities, acquisition of vehicles, equipment and seeds, and technical assistance and training.

Part D: Privatization of Veterinary Services

1. A credit scheme to assist: (a) veterinarians currently employed by MAIF to establish private practices; and (b) UVA to import drugs and equipment to be supplied to members.

2. Establishment of a veterinary diagnostic center and strengthening of the post-graduate veterinary medicine program at Makerere University.

Part E: Institutional Development

1. Streamlining MAIF's organizational structure.

2. Strengthening MAIF's project management and monitoring capabilities, through technical assistance and acquisition of vehicles and office equipment.

* * *

The Project is expected to be completed by December 31, 1995.

SCHEDULE 3

Procurement and Consultants' Services

Section I. Procurement of Goods and Works

Part A: International Competitive Bidding

1. Except as provided in Part C hereof, civil works and goods shall be procured under contracts awarded in accordance with procedures consistent with those set forth in Sections I and II of the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Bank in May 1985 (the Guidelines).

2. To the extent practicable, contracts for equipment, vehicles, furniture, drugs and forage seeds shall be grouped into bid packages estimated to cost the equivalent of \$100,000 or more.

Part B: Preference for Domestic Manufacturers

In the procurement of goods in accordance with the procedures described in Part A.1 hereof, goods manufactured in Uganda may be granted a margin of preference in accordance with, and subject to, the provisions of paragraphs 2.55 and 2.56 of the Guidelines and paragraphs 1 through 4 of Appendix 2 thereto.

Part C: Other Procurement Procedures

1. Civil works, other than prefabricated buildings, may be procured under contracts awarded on the basis of competitive bidding, advertised locally, in accordance with procedures satisfactory to the Association.

2. Goods estimated to cost the equivalent of \$50,000 or less per contract up to an aggregate amount not to exceed the equivalent of \$250,000 may be procured under contracts awarded on the basis of competitive bidding, advertised locally, in accordance with procedures satisfactory to the Association.

3. Items or groups of items estimated to cost the equivalent of \$20,000 or less per contract, up to an aggregate amount not to exceed the equivalent of \$100,000, may be procured under contracts awarded on the basis of comparison of price quotations obtained from at least three suppliers eligible under the Guidelines, in accordance with procedures acceptable to the Association.

Part D: Review by the Association of Procurement Decisions

1. Review of invitations to bid and of proposed awards and final contracts:

(a) With respect to each contract for: (i) civil works estimated to cost the equivalent of \$150,000 or more; and (ii) goods estimated to cost the equivalent of \$50,000 or more, the procedures set forth in paragraphs 2 and 4 of Appendix 1 to the Guidelines shall apply. Where payments for such contract are to be made out of the Special Account, such procedures shall be modified to ensure that the two conformed copies of the contract required to be furnished to the Association pursuant to said paragraph 2 (d) shall be furnished to the Association prior to the making of the first payment out of the Special Account in respect of such contract.

(b) With respect to each contract not governed by the preceding paragraph, the procedures set forth in paragraphs 3 and 4 of Appendix 1 to the Guidelines shall apply. Where payments for such contract are to be made out of the Special Account, such procedures shall be modified to ensure that the two conformed copies of the contract together with the other information required to be furnished to the Association pursuant to said paragraph 3 shall be furnished to the Association as part of the evidence to be furnished pursuant to paragraph 4 of Schedule 5 to this Agreement.

(c) The provisions of the preceding subparagraph (b) shall not apply to contracts on account of which the Association has authorized withdrawals on the basis of statements of expenditure.

2. The figure of 10% is hereby specified for purposes of paragraph 4 of Appendix 1 to the Guidelines.

Section II. Employment of Consultants

In order to assist MAIF and UVA in carrying out the Project, the Borrower shall cause MAIF and UVA to employ the experts and consultants, referred to in Schedule 4 to this Agreement, whose qualifications, experience and terms and conditions of employment shall be satisfactory to the Association. Such experts and consultants shall be selected in accordance with principles and procedures satisfactory to the Association on the basis of the "Guidelines for the Use of Consultants by World Bank Borrowers and by the World Bank as Executing Agency" published by the Bank in August 1981.

SCHEDULE 4

Implementation Program

Project Coordination and Management

1. MAIF shall be responsible for the overall implementation of the Project, with the assistance of the sub-committee on livestock of the Agricultural Policy Committee which shall serve as the Steering Committee (the Steering Committee). The Steering Committee shall be chaired by the Permanent Secretary, MAIF and include representatives of the Ministries of Planning and Economic Development, Environment and Cooperatives and Marketing, the Agricultural Secretariat of Bank of Uganda, Makerere University and the Project Coordinator to be appointed by MAIF, as members. The Steering Committee, which shall meet semiannually, shall be responsible for approving annual work plans and budgets, reviewing annual accounts and audit reports, as well as resolving policy issues.

2. A project coordination unit (PCU), to be headed by the Project Coordinator and comprising a financial controller/procurement manager, an organization and management specialist and support staff, shall be established by December 31, 1990, and thereafter maintained within MAIF to coordinate Project direction and administration. PCU shall be responsible for the review and compilation of annual work plans and budgets, facilitation of implementation of Project activities, and for financial control and procurement.

3. Supervision and monitoring of Project implementation shall be

carried out by a Project Management Committee which shall be established within MAIF, under the chairmanship of the Permanent Secretary, MAIF, or his representative and including the Project Coordinator, the managers of the various components of the Project, Commissioners for veterinary services and tsetse control, the Chief Research Officer in AHRC, two representatives of farmers, and appropriate staff as may be needed from time to time. The PMC shall meet monthly to review progress and take appropriate measures to expedite effective Project implementation.

4. Annual work programs prepared by the managers of the various components of the Project and duly approved by the steering committee pursuant to paragraph 1 of this Schedule, shall be submitted to the Association by the PCU, not later than July 1, of each year. Drafts of the annual work program shall be submitted to the Association for its review and comments not later than May 1 of each year. The initial work program covering up to June 1991, shall be prepared and submitted to the Association by January 1, 1991.

5. The managers of each component of the Project shall prepare and submit to the PCU, semiannual reports on the progress of the Project, comparing the actual results achieved during the period covered in the report with targets set in the work program and budget. The PCU shall forward to the Association the first report by February 28, 1991, and all subsequent reports not later than two months after the end of the reporting period.

6. MAIF and the Association shall, by December 31, 1993, carry out a comprehensive review of progress made in the implementation of the Project, on the basis of a comprehensive report satisfactory to the Association which shall be submitted to the Association not later than sixty days prior to the review date.

Part A of the Project

7. MAIF shall appoint an experienced veterinarian within DVSAI, to manage this component of the Project under the overall direction of the Commissioner of Veterinary Services. The component manager, who shall report to the Project Coordinator through the Commissioner, shall be assisted by an epidemiologist. The Chief Research Officer at AHRC, who will be responsible for complementary diagnostic support, shall be assisted by a laboratory technologist who will work closely with the mobile units for control of epidemic diseases.

Part B of the Project

8. (a) A senior entomologist within DTC shall be appointed by MAIF to manage this Project component, under the overall responsibility of the Commissioner of Tsetse Control. The manager, will report to the Project Coordinator through the Commissioner of Tsetse Control and shall be assisted by a tsetse control specialist.

(b) The procurement and use of insecticides required to implement the tsetse control program, shall be carried out in accordance with guidelines satisfactory to the Association.

Part C of the Project

9. (a) MAIF shall establish a Forage Development Unit to be based at the AHRC in Entebbe and to be headed by a manager who shall report to the Project Coordinator through the Commissioner of Veterinary Services. He shall be assisted by a forage development specialist and two senior production officers who shall be responsible for training, seed production, and extension services.

(b) MAIF shall, with the assistance of the Faculty of Agriculture of Makerere University, carry out a review of the seed production scheme by September 30, 1993, and if the scheme is found to be profitable, shall take all measures necessary to transfer the seed packaging and distribution process to private operators by September 30, 1994.

(c) MAIF shall prepare and implement a program, satisfactory to the Association, for the phasing out of MAIF's farms and ranches not required to support its extension and research activities.

Part D of the Project

10. UVA shall be responsible for the implementation of this component of the Project through an experienced veterinarian, who shall report to the Project Coordinator through the Chairman of UVA. UVA shall employ a firm of consultants to carry out the day-to-day management of this component through a business management adviser, with experience in privatization schemes, supported by a credit specialist, a legal adviser and a training specialist. The consultants shall, in consultation with the manager of the component, develop criteria for selection and screening of applicants for private practice, including qualifications satisfactory to UVA, membership in UVA and successful completion of a retraining program at Makerere University to update applicants' veterinary, business and management skills.

11. The Borrower shall take all measures necessary to ensure that the Bank of Uganda shall establish and maintain a credit guarantee scheme, satisfactory to the Association, whereby repayment of loans made by Participating Banks under Part D.1 of the Project are guaranteed.

12. UVA and Participating Banks shall establish a credit committee consisting of executive committee members of UVA and credit officers of the Participating Banks: (a) to review all loan applications submitted by veterinarians who intend to start private practice; (b) to determine the technical and financial viability of the proposed practices; (c) to determine the amount and the terms and conditions of the loan, which, unless otherwise agreed with the Association shall (i) not exceed the Uganda Shillings equivalent of \$20,000; (ii) bear interest and other charges at the rate of 50% per annum on the loan amount including an administrative fee of 2% per annum on the loan amount which shall be payable to UVA and a credit guarantee premium not exceeding 2-1/2% per annum on the loan amount payable to the Bank of Uganda; and (iii) to have a repayment period not exceeding ten years, including two years of grace.

13. In order to assist UVA to establish a wholesale veterinary cooperative to supply UVA's members with drugs and small equipment, the Borrower shall, pursuant to Section 3.03 (a) of this Agreement, on-lend to UVA through a Participating Bank the Uganda Shillings equivalent of \$40,000, out of the proceeds of the Credit, at an interest rate of 48% per annum, repayable in four years, including two years of grace.

14. The Borrower shall take all measures necessary to:

(a) discontinue its curative veterinary services as and when private veterinary services become available in a particular area; and

(b) sub-contract, through UVA, epidemic disease vaccinations to private veterinarians whenever their services are available.

15. The Office of the Dean of the Faculty of Veterinary Medicine at Makerere University shall establish a training unit consisting of an administrator/veterinarian and a secretary, which shall report to the manager of this component of the Project. The consultants referred to in paragraph 10 above shall provide the Faculty of Veterinary Medicine with necessary assistance on re-training and course structure and content of the veterinary re-training program. UVA and the training unit shall prepare and implement a detailed work program, satisfactory to the Association, for the carrying out of UVA's Project activities, and shall monitor progress in implementation through the annual work program.

Part E of the Project

16. The Project Coordinator, under the overall direction of the Permanent Secretary, MAIF, shall be responsible for overseeing the implementation of the action program by December 31, 1990, with the assistance of an organization and management specialist.

17. In order to strengthen MAIF's accounting, internal control and reporting system, MAIF shall, by December 31, 1990, establish and submit to the Association, a management information system, including an implementation schedule, satisfactory to the Association.

SCHEDULE 5

Special Account

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories (1) through (5) set forth in the table in paragraph 1 of Schedule 1 to this Agreement;

(b) the term "eligible expenditures" means expenditures 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 allocated from time to time to the eligible Categories in accordance with the provisions of Schedule 1 to this Agreement; and

(c) the term "Authorized Allocation" means an amount equivalent to \$1,000,000 to be withdrawn from the Credit Account and deposited into the Special Account pursuant to paragraph 3 (a) of this Schedule.

2. Payments out of the Special Account shall be made exclusively for eligible expenditures in accordance with the provisions of this Schedule.

3. After the Association has received evidence satisfactory to it that the Special Account has been duly opened, withdrawals of the Authorized Allocation and subsequent withdrawals to replenish the Special Account shall be made as follows:

(a) for withdrawals of the Authorized Allocation, the Borrower shall furnish to the Association a request or requests for a deposit or deposits which do not exceed the aggregate amount of the Authorized Allocation. On the basis of such request or requests, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and deposit into the Special Account such amount or amounts as the Borrower shall have requested; and

(b) (i) For replenishment of the Special Account, the Borrower shall furnish to the Association requests for deposits into the Special Account at such intervals as the Association shall specify.

(ii) Prior to or at the time of each such request, the Borrower shall furnish to the Association the documents and other evidence required pursuant to paragraph 4 of this Schedule for the payment or payments in respect of which replenishment is requested. On the basis of each such request, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and deposit into the Special Account such amount as the Borrower shall have requested and as shall have been shown by said documents and other evidence to have been paid out of the Special Account for eligible expenditures.

All such deposits shall be withdrawn by the Association from the

Credit Account under the respective eligible Categories, and in the respective equivalent amounts, as shall have been justified by said documents and other evidence.

4. 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.

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

(a) if, at any time, the Association shall have determined that all further withdrawals should be made by the Borrower directly from the Credit Account in accordance with the provisions of Article V of the General Conditions and paragraph (a) of Section 2.02 of this Agreement; or

(b) once the total unwithdrawn amount of the Credit allocated to the eligible Categories, less the amount of any outstanding special commitment entered into by the Association pursuant to Section 5.02 of the General Conditions with respect to the Project, shall equal the equivalent of twice the amount of the Authorized Allocation.

Thereafter, withdrawal from the Credit Account of the remaining unwithdrawn amount of the Credit allocated to the eligible Categories shall follow such procedures as the Association shall specify by notice to the Borrower. Such further withdrawals shall be made only after and to the extent that the Association shall have been satisfied that all such amounts remaining on deposit in the Special Account as of the date of such notice will be utilized in making payments for eligible expenditures.

6. (a) If the Association shall have determined at any time that any payment out of the Special Account: (i) was made for an expenditure or in an amount not eligible pursuant to paragraph 2 of this Schedule; (ii) was not justified by the evidence furnished to the Association, the Borrower shall, promptly upon notice from the Association: (A) provide such additional evidence as the Association may request; or (B) 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 or the portion thereof not so eligible or justified. Unless the Association shall otherwise agree, no further deposit by the Association into the Special Account shall be made until the Borrower has provided such evidence or made such deposit or refund, as the case may be.

(b) If the Association shall have determined at any time that any amount outstanding in the Special Account will not be required to cover further payments for eligible expenditures, 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 paragraphs 6 (a), (b) and (c) of this Schedule shall be credited to the Credit Account for subsequent withdrawal or for cancellation in accordance with the relevant provisions of this Agreement, including the General Conditions.

