

CONFORMED COPY

CREDIT NUMBER 2190 UG

(Agricultural Sector Adjustment Credit)

between

THE REPUBLIC OF UGANDA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated December 19, 1990

CREDIT NUMBER 2190 UG

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated December 19, 1990, between THE REPUBLIC OF UGANDA (the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

WHEREAS (A) the Association has received a letter dated November 23, 1990, from the Borrower describing a program of actions, objectives and policies designed to achieve structural adjustment of the Borrower's agricultural sector (hereinafter called the Program) and declaring the Borrower's commitment to the execution of the Program;

(B) the Borrower, having committed itself to the execution of the Program and, as part of the Program, having undertaken to carry out the Project described in Schedule 2 to this Agreement, has requested the Association to assist in the financing of the Project and of urgently needed imports required during the execution of the Program; 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) "PEC" means the Presidential Economic Council of the Borrower;
- (b) "APC" means the Borrower's Agricultural Policy Committee reporting to PEC;
- (c) "BOU" means the Bank of Uganda, the Borrower's central bank;
- (d) "MISR" means the Institute for Social Research of Makerere University;
- (e) "UCB" means the Uganda Commercial Bank;
- (f) "CMB" means the Coffee Marketing Board;
- (g) "CMB Subsidiary Grant Agreement" means the agreement to be entered into between the Borrower and CMB pursuant to Section 3.01 (b) of this Agreement, as the same may be amended from time to time, and such term includes all schedules to the CMB Subsidiary Grant Agreement;
- (h) "MISR Subsidiary Grant Agreement" means the agreement to be entered into between the Borrower and Makerere University pursuant to Section 3.01 (c) of this Agreement, as the same may be amended from time to time, and such term includes all schedules to the MISR Subsidiary Grant Agreement;
- (i) "Special Account" means any of the accounts referred to in Section 2.02 (b), (c) and (d) of this Agreement;
- (j) "Project Preparation Advance" means the Project preparation advance granted by the Association to the Borrower pursuant to an exchange of letters dated March 16, 1989, May 18, 1989, June 9, 1989, October 15, 1990 and October 30, 1990 between the Borrower and the Association;
- (k) "U.Sh" and "Uganda Shillings" mean the currency of the Borrower; and
- (l) "Project Account" means each of the accounts referred to in Section 3.01 (e) 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 the Development Credit Agreement, an amount in various currencies equivalent to sixty-nine million five hundred thousand Special Drawing Rights (SDR 69,500,000).

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: (i) goods, works and services required for the Project described in Schedule 2 to this Agreement and to be financed out of the proceeds of the Credit; and (ii) goods imported during the execution of the Program and to be financed out of the proceeds of the Credit.

(b) The Borrower shall, for the purposes of Category (7) of the table in paragraph 1 of Schedule 1 to this Agreement, open and maintain in dollars, through BOU a special deposit account (hereinafter referred to as "Special Account A") in a commercial bank on terms and conditions satisfactory to the Association, including appropriate protection against set-off, seizure or attachment.

(c) The Borrower shall, for the purposes of Categories (1) (a), (2) (a), (3) (a), (4) (a), (5) (a) and (6) (a) of the table in paragraph 1 of Schedule 1 to this Agreement, open and maintain in dollars, through BOU, a special deposit account (hereinafter referred to as "Special Account B") in a commercial bank on terms and conditions satisfactory to the Association.

(d) The Borrower shall, for the purposes of Categories (1) (b) and (c), (2) (b), (c) and (d), (3) (b) and (c), (4) (b) and (c), (5) (b), (c) and (d) and (6) (b) of the table in paragraph 1 of Schedule 1 to this Agreement, open and maintain in dollars, through BOU, a special deposit account (hereinafter referred to as "Special Account C") in a commercial bank on terms and conditions satisfactory to the Association.

(e) Deposits into, and payments out of, the Special Accounts shall be made in accordance with the provisions of Schedule 5 to this Agreement.

(f) 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, 1995 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 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 semi-annually on April 15 and October 15 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 April 15 and October 15 commencing April 15, 2001 and ending October 15, 2030. Each installment to and including the installment payable on October 15, 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 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 United States of America is hereby specified for the purposes of Section 4.02 of the General Conditions.

Section 2.09. (a) BOU is designated as representative of the Borrower for the purposes of taking any action required or permitted to be taken under the provisions of Section 2.02 of this Agreement and Article V of the General Conditions, with respect to withdrawals under Category (7) of the table set forth in paragraph 1 of Schedule 1 to this Agreement.

(b) Without limitation or restriction to the foregoing, the Borrower hereby entrusts BOU with responsibility for the preparation of withdrawal applications under Category (7) of the table in paragraph 1 of Schedule 1 to this Agreement and for the collection of the documents and other evidence to be furnished to the Association in support of such applications.

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 with due diligence and efficiency and in conformity with appropriate administrative, financial and economic practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the Project.

(b) The Borrower shall make available to CMB, as a grant, the proceeds of the Credit which may from time to time be allocated to Categories (2) (c), (4) (b) and (5) (c) in the table set forth in Schedule 1 to this Agreement under a subsidiary grant agreement to be entered into between the Borrower and CMB, under terms and conditions which shall have been approved by the Association.

(c) The Borrower shall make available to Makerere University for use by MISR as a grant, the proceeds of the Credit which may from time to time be allocated to Categories (1) (b), (2) (b), (3) (b) and (5) (b) in the table set forth in Schedule 1 to this Agreement under a subsidiary grant agreement to be entered into between the Borrower and Makerere University under terms and conditions which shall have been approved by the Association.

(d) The Borrower shall exercise its rights under the CMB Subsidiary Grant Agreement and the MISR Subsidiary Grant Agreement in such manner as to protect the interests 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 CMB Subsidiary Grant Agreement and the MISR Subsidiary Grant Agreement or any provision thereof.

(e) The Borrower shall: (i) for the purposes of Part A of the Project, open and maintain in BOU until the completion of the Project, a Project account and deposit therein twenty-eight million Uganda Shillings (U.Shs 28,000,000). Thereafter, the Borrower shall, at the beginning of each quarter, deposit the amount estimated to be required to cover the expenditures for Part A of the Project during such quarter which are not covered by withdrawals from the Credit Account; and (ii) for the purposes of Parts B, C, D and E of the Project, open and maintain in BOU until the completion of the Project, a Project account and deposit therein thirty-seven million Uganda Shillings (U.Shs. 37,000,000). Thereafter, the Borrower shall, at the beginning of each quarter, deposit the amount estimated to be required to cover the expenditures for Parts B, C, D and E of the Project during such quarter which are not covered by withdrawals from the proceeds of the Credit Account.

(f) 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 6 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 and the Association shall from time to time, and in any case not later than September 1 in each year of Project implementation, at the request of either party exchange views on the progress achieved in carrying out: (i) the Project; (ii) the Program; and (iii) the actions referred to in Schedule 4 to this Agreement.

(b) Prior to each such exchange of views as specified in paragraph (a) of this Section and not later than August 1 of each year of Project Implementation, the Borrower shall furnish to the Association for its review and comment a report on the progress achieved in carrying out the Program, in such detail as the Association shall reasonably request.

Section 3.04. (a) The Borrower shall maintain, or cause to be maintained records and accounts adequate to reflect in accordance with consistently maintained sound accounting practices the expenditures financed out of the proceeds of the Credit in respect of the Project.

(b) The Borrower shall:

- (i) have the records and accounts referred to in paragraph (a) of this Section, including those for the Special Accounts and the Project Accounts, 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 Association has received the audit 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 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.

Section 3.05. The Borrower shall cause CMB to:

(a) maintain records and accounts adequate to reflect in accordance with sound accounting practices its operations and financial conditions; and

- (b) (i) have its records, accounts and financial statements (balance sheets, statements of income and expenses and related statements) 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 copies of its financial statements for such year as so audited; and (B) 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 financial

statements as well as the audit thereof, as the Association shall from time to time reasonably request.

Section 3.06. The Borrower shall cause CMB:

(a) to take out and maintain with responsible insurers, or to make other provision satisfactory to the Association for insurance against such risks and in such amounts as shall be consistent with appropriate practice;

(b) to carry on its operations and conduct its affairs in accordance with sound administrative, commercial and financial practices under the supervision of qualified and experienced management assisted by competent staff in adequate numbers; and

(c) at all times to operate and to maintain its plants, machinery, equipment and other property, and from time to time, promptly as needed, to make all necessary repairs and renewals thereof, all in accordance with sound engineering and financial practices.

ARTICLE IV

Remedies of the Association

Section 4.01. Pursuant to Section 6.02 (h) 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 V

Effective Date; Termination

Section 5.01. The following are specified as a additional matters, within the meaning of Section 12.02 (b) of the General Conditions:

(a) the macro-economic policy framework of the Borrower is consistent with the objectives of the Program; and

(b) the CMB Subsidiary Grant Agreement has been duly executed by the Borrower and CMB.

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 CMB Subsidiary Grant Agreement has been duly authorized or ratified by CMB and is legally binding on CMB 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

Representative of the Borrower; Addresses

Section 6.01. Except as provided in Section 2.09 (a) of this Agreement, 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: Telex:
FINSEC 61170
Kampala

For the Association:

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

Cable address: Telex:
INDEVAS 248423 (RCA)
Washington, D.C. 197688 (TRT)
64145 (WUI) or
82987 (FTCC)

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/ C. W. C. B. Kiyonga
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 in SDR Equivalent)	% of Expenditures to be Financed
(1) Civil works:		100% of foreign expenditures and 50% of local expenditures
(a) under Part A of the Project	400,000	
(b) under Part C (a) (i) of the	100,000	

Project		
(c)	other	_____
(2)	Equipment and supplies:	100%
(a)	under Part A of the Project	660,000
(b)	under Part C (a) (i) of the Project	160,000
(c)	under Part D.1 of the Project	30,000
(d)	other	180,000
	Category	Amount of the Credit Allocated (Expressed in SDR Equivalent)
(3)	Vehicles:	100%
(a)	under Part A of the Project	370,000
(b)	under Part C (a) (i) of the Project	40,000
(c)	other	190,000
(4)	Consultants' services:	100%
(a)	under Part A of the Project	850,000
(b)	under Part D.1 of the Project	520,000
(c)	other	1,900,000
(5)	Training and workshops:	100% of foreign expenditures and 60% of local expenditures
(a)	under Part A of the Project	600,000
(b)	under Part C (a) (i) of the Project	190,000
(c)	under Part D.1 of the Project	150,000
(d)	other	700,000
	Category	Amount of the Credit Allocated (Expressed in SDR Equivalent)
(6)	Operating Costs:	100% of foreign expenditures and 60% of local expenditures

(a)	under Part A of the Project	1,000,000	
(b)	other	280,000	
(7)	Eligible goods imported during the execution of the Program	59,100,000	100% of foreign expenditures
(8)	Refunding of Project Prepara- tion Advance	890,000	Amount due pur- suant to Section 2.02 (f) of this Agreement
(9)	Unallocated	1,190,000	
	TOTAL	69,500,000	=====

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;

(c) the term "eligible goods" means the goods listed in the Annex to this Schedule 1; and

(d) the term "operating costs" means incremental costs for the operation of the Project for staff allowances, operation of vehicles and maintenance of equipment and buildings.

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made out of the proceeds of the Credit in respect of:

(a) Categories (1) through (6) unless the Borrower has: (i) made an initial deposit of U.Sh 65,000,000 into the Project accounts pursuant to Section 3.01 (e) of this Agreement; and (ii) established the Project Coordination Unit under Part E of the Project and has appointed a Project Coordinator and a Financial Controller whose qualifications and terms and conditions of employment are satisfactory to the Association;

(b) Categories (1) (a), (2) (a), (3) (a), (4) (a), (5) (a) and (6) (a) unless the Borrower has: (i) caused APC to establish a sub-committee on Agricultural Research and Extension; and (ii) appointed an Implementation Unit Head and a Senior Agricultural Service Advisor whose qualifications and terms and conditions of employment are satisfactory to the Association;

(c) Categories (1) (b), (2) (b), (3) (b) and (5) (b) unless the Borrower and Makerere University have entered into the MISR Subsidiary Grant Agreement pursuant to Section 3.01 (c) of this Agreement;

(d) Category (7) for expenditures in excess of an aggregate amount equivalent to SDR 11,800,000 for petroleum products; and

(e) payments made for expenditures prior to the date of this Agreement, except that withdrawals in an aggregate amount not exceeding the equivalent of SDR 11,800,000 may be made in respect of Category (7) on account of payments made for such expenditures before that date but after a date falling four months prior to the date of this Agreement.

4. Withdrawals out of the proceeds of the Credit allocated to Category (7) of paragraph 1 above for expenditures under contracts for the procurement of goods estimated to cost the equivalent of less than \$100,000 may be permitted by the Association on the basis of statements of expenditure under such terms and conditions as the Association shall specify.

5. Notwithstanding the provisions of paragraph 1 above, no withdrawal shall be made and no commitment shall be entered into to pay amounts to the Borrower or others in respect of expenditures to be financed out of Category (7) of paragraph 1 above after the aggregate of the proceeds of the Credit withdrawn from the Credit Account under said Category (7) of paragraph 1 above and the total amount of such commitments shall have reached the equivalent of SDR 34,800,000, unless the Association shall be satisfied, after an exchange of views as described in Section 3.04 of this Agreement based on evidence satisfactory to the Association: (i) with the progress achieved by the Borrower in the carrying out of the Program; (ii) that the actions described in Schedule 4 to this Agreement have been taken; and (iii) that the macro-economic policy framework of the Borrower is consistent with the objectives of the Program.

6. If, after the exchange of views referred to in paragraph 5 above, the Association shall have given notice to the Borrower that the progress achieved, actions taken, or the macro-economic framework are not satisfactory, and within 90 days after such notice, the Borrower shall not have achieved progress and taken actions satisfactory to the Association, then the Association may, by notice to the Borrower, cancel the unwithdrawn amount of the Credit allocated to Category (7) of paragraph 1 above, or any part thereof.

ANNEX

List of Goods Eligible for Financing under Category (7) of Schedule 1

1. Agricultural chemicals (fertilizers)
Agricultural tools and equipment, including raw materials therefor
Agro-processing chemicals and preservatives
Agro-processing inputs and materials
Agro-processing (including sugar processing) machinery and equipment
Animal feed raw materials and feed mixes
Animals (live)
Fishing gear and equipment
Lorries, including spares
Outboard engines, including spares
Packing materials
Pick-up vehicles, including spares
Seeds (crop, pasture)
Tractors, including spares and implements
Veterinary drugs and acaricides
Veterinary equipment
2. Petroleum products

SCHEDULE 2

Description of the Project

The objectives of the Project are to: (a) strengthen agricultural research and extension services; (b) develop land policy reform through land policy research; and (c) improve management of the agricultural sector through development of institutional and human resources.

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: Agricultural Research and Extension

Implementation of high-priority adaptive research and extension activities, including technology dissemination, civil works, staff incentives, technical assistance, training, studies and acquisition of vehicles and equipment.

Part B: Strengthening of Agricultural Sector Planning

Implementation of a sectoral planning strengthening program including, rationalization of responsibilities among central and sectoral planning agencies, introduction of improved planning procedures and development of planning skills, through training and technical assistance.

Part C: Land Policy Research Program

Implementation of a program to: (i) strengthen (A) MISR's capacity for sustained research in land access and policy development, and (B) AGSEC's role in research planning and dissemination of research findings; and (ii) reinforce the link between research and policy formulation and implementation through rehabilitation of office and housing facilities, acquisition of office equipment and vehicles, and training.

Part D: Strengthening of Coffee Subsector Management

1. Implementation of CMB's organizational and financial restructuring programs through technical assistance, training and improvement in communication facilities.

2. Implementation of reforms for the coffee subsector.

Part E: Project Coordination and Monitoring

Establishment of a Project Coordination Unit including the acquisition of transport and office equipment.

* * *

The Project is expected to be completed by December 31, 1994.

SCHEDULE 3

Procurement and Consultants' Services

Section I. Procurement of Goods and Works for the Project

Part A: International Competitive Bidding

1. Except as provided in Part C hereof, goods and works 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 the procurement of vehicles, equipment and supplies shall be grouped in bid packages estimated to cost the equivalent of \$100,000 or more each.

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. Local Competitive Bidding

(a) Civil works under Part A of the Project up to an aggregate amount not to exceed the equivalent of \$900,000 may be procured under contracts awarded on the basis of competitive bidding, advertised locally, in accordance with procedures satisfactory to the Association.

(b) Supplies and equipment estimated to cost less than the equivalent of \$100,000 per contract up to an aggregate amount not to exceed the equivalent of \$500,000 may be procured under contracts awarded on the basis of competitive bidding, advertised locally, in accordance with procedures satisfactory to the Association.

2. Shopping

Items or groups of items estimated to cost less than the equivalent of \$25,000 per contract, up to an aggregate amount not to exceed the equivalent of \$500,000, may be procured on the basis of comparison of price quotations solicited from a list of 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 civil works estimated to cost the equivalent of \$100,000 or more, and each contract for 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 15% is hereby specified for purposes of paragraph 4 of Appendix 1 to the Guidelines.

Section II. Employment of Consultants

In order to assist the Borrower in carrying out Parts A, B, C, D.2 and E of the Project, the Borrower shall employ consultants whose qualifications, experience and terms and conditions of employment shall be satisfactory to the Association. Such 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.

Section III. Procurement of Goods other than for the Project, during the execution of the Program

1. Contracts for the procurement of goods estimated to cost the

equivalent of \$2,000,000 or more each shall be awarded through international competitive bidding 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), subject to the following modifications:

(a) Paragraph 2.8 of the Guidelines is deleted and the following is substituted therefor:

"2.8 Notification and Advertising

The international community should be notified in a timely manner of the opportunity to bid. This will be done by advertising invitations to apply for inclusion in a bidder's invitation list, to apply for prequalification, or to bid; such advertisements should be placed in at least one newspaper of general circulation in the Borrower's country and, in addition, in at least one of the following forms:

- (i) a notice in the United Nations publication, Development Forum, Business Edition; or
- (ii) an advertisement in a newspaper, periodical or technical journal of wide international circulation; or
- (iii) a notice to local representatives of countries and territories referred to in the Guidelines, that are potential suppliers of the goods required."

(b) The following is added at the end of paragraph 2.21 of the Guidelines:

"As a further alternative, bidding documents may require the bidder to state the bid price in a single currency widely used in international trade and specified in the bidding documents."

(c) Paragraphs 2.55 and 2.56 of the Guidelines are deleted.

2. Contracts for the procurement of goods estimated to cost the equivalent of less than \$2,000,000 each shall be awarded:

(a) by purchasers subject to the Borrower's public procurement procedures for the importation of goods, on the basis of such procedures, provided that such procedures shall have been found acceptable by the Association;

(b) by other purchasers, in accordance with established commercial practice, provided that such contracts shall be awarded on the basis of evaluation and comparison of quotations obtained from a list of at least two suppliers from at least two countries, except where direct contracting is permitted under paragraph 3.5 of the Guidelines.

3. With respect to each contract referred to in paragraph 1 of this Section, the Borrower shall furnish to the Association, prior to the submission to the Association of the first application for withdrawal of funds from the Credit Account in respect of such contract, two conformed copies of such contract, together with the analysis of the respective bids and recommendations for award, a description of the advertising and tendering procedures followed and such other information as the Association shall reasonably request.

4. With respect to each contract referred to in paragraph 2 above, the Borrower shall furnish to the Association, prior to the submission to the Association of the first application for withdrawal of funds from the Credit Account in respect thereof, such documentation and information as the Association may reasonably request to support withdrawal applications in respect of such

contract.

5. Notwithstanding the provisions of paragraphs 3 and 4 above, where payments under a contract are to be made out of the proceeds of the Special Account, the copies of such contract or the documentation and the information to be furnished to the Association pursuant to the provision of paragraphs 3 and 4 above shall be furnished to the Association as part of the evidence required under paragraph 4 of Schedule 5 of this Agreement.

6. The provisions of the preceding paragraph 3 of this Schedule shall not apply to contracts on account of which the Association has authorized withdrawals from the Credit Account on the basis of statements of expenditure.

SCHEDULE 4

Actions Referred to in Paragraph 5 of Schedule 1 to this Agreement

For the purposes of the second tranche release

1. The Borrower has:

- (a) continued to take appropriate measures to ensure that positive interest rates, in real terms, are maintained on commercial bank loans, including loans for coffee crop finance;
- (b)
 - (i) made satisfactory progress in the implementation of the Coffee Subsector Budgeting and Monitoring System in the coffee crop season beginning October 1, 1990 consistent with an implementation plan, satisfactory to the Association; and
 - (ii) adopted a coffee subsector budget, satisfactory to the Association, for the coffee crop season beginning October 1, 1991.

2. The Borrower has completed the financial and institutional restructuring of CMB including:

- (a) the strengthening of institutional arrangements for regulatory functions, consistent with the Borrower's coffee export liberalization strategy;
- (b) the financial restructuring of CMB, including evidence confirming that payments made by the Borrower in support of CMB's projected working capital for the coffee crop seasons beginning October 1, 1990 and October 1, 1991 respectively, have been formally contributed to CMB's equity capital, consistent with any recommendations that may be made in the Balance Sheet Audit Report of CMB.

3. (a) The Borrower has (i) issued at least two coffee export licenses to applicants in the private sector, other than cooperatives; (ii) adopted such measures as shall be necessary to facilitate the attainment of a significant increase in the share of coffee exports by the private sector, including ensuring profit elements in the fixed margin for exporters which are adequate to (A) induce the private sector to enter the coffee trade and (B) to enable exporters to internally raise working capital; and (iii) established an improved coffee-price grading system.

(b) The Borrower has adopted an action plan, satisfactory to the Association, for implementing a revised coffee export taxation system, to provide further incentives for maximizing the quality and value of coffee exports.

4. The Borrower has established a National Agricultural Research Organization satisfactory to the Association to, inter alia, plan and oversee the implementation of a national agricultural research program.

SCHEDULE 5

Special Accounts

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means: (i) in the case of Special Account A, Category (7) set forth in the table in paragraph 1 of Schedule 1 to this Agreement; (ii) in the case of Special Account B, Categories (1) (a), (2) (a), (3) (a), (4) (a), (5) (a) and (6) (a) of said table; and (iii) in the case of Special Account C, Categories (1) (b) and (c), (2) (b), (c) and (d), (3) (b) and (c), (4) (b) and (c), (5) (b), (c) and (d) and (6) (b) of said table;

(b) the term "eligible expenditures" means expenditures in respect of the reasonable cost of: (i) goods, works and services required for the Project and to be financed out of the proceeds of the Credit; and (ii) eligible goods imported during the execution of the Program, 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: (i) an amount equivalent to \$15,000,000 to be withdrawn from the Credit Account and deposited into Special Account A; (ii) an amount equivalent to \$450,000 to be withdrawn from the Credit Account and deposited into Special Account B; and (iii) an amount equivalent to \$650,000 to be withdrawn from the Credit Account and deposited into Special Account C all pursuant to paragraph 3 (a) of this Schedule.

2. Payments out of a 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 a 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 in the appropriate Special Account such amount or amounts as the Borrower shall have requested.

(b) (i) the Borrower shall furnish to the Association requests for deposits into the Special Account at such intervals as the Association shall specify; and

(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 into 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; or (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.

SCHEDULE 6

Implementation Program

1. APC, chaired by the Permanent Secretary of the Ministry of Planning and Economic Development (MPED) and whose members include the permanent secretaries of the Ministries of Agriculture, Animal Industry and Fisheries, Environmental Protection, Cooperatives and Marketing, Finance, Industry and Technology, and Commerce, the Governor of BOU, the Chairman/Managing Director, Uganda Commercial Bank, and the General Secretary, Uganda Cooperative Alliance Ltd. shall be responsible for the overall coordination of the Project.

2. The Borrower shall establish a Project Coordination Unit, (PCU) with terms of reference satisfactory to the Association, consisting of a Project Coordinator and a Financial Controller, within the Agricultural Secretariat of BOU, serving as the Secretariat of APC. PCU shall be responsible for the implementation of the Project, including planning, procurement and financial control and coordination of activities of all components of the Project, and after formal review and approval by APC, shall submit comprehensive quarterly Project progress reports to the Association, on the basis of reports submitted by the agencies directly responsible for the implementation of the various Project components. PCU shall also prepare for and coordinate a mid-term review of activities under the Project to be jointly undertaken by the Borrower and the Association by not later than June 30, 1992.

Part A of the Project

3. The Borrower shall cause APC to establish a sub-committee on agricultural research and extension (SCORE) which shall act as a steering/review committee for the various sub-components (the Sub-projects) of Part A of the Project, and shall approve work plans and budgets of the Sub-Projects and monitor and evaluate progress and impacts of the Sub-Projects.

An implementation unit (IU) consisting of a unit head and an agricultural services advisor shall, under the supervision of SCORE, be responsible for the implementation of Part A of the Project. The terms of reference of SCORE, the IU, the unit head and the agricultural services advisor shall be satisfactory to the Association.

Part B of the Project

4. The Agricultural Section of the Sectoral Planning Department of MPED, with the assistance of consultants, shall be responsible for the implementation of activities under Part B of the Project.

Part C of the Project

5. The land reform committee (LRC) appointed by APC shall coordinate activities under Part B of the Project, and shall approve proposals for annual land policy research programs to be prepared by an implementation unit (IU) to be established by the Borrower. The terms of reference of the LRC and of IU shall be satisfactory to the Association.

Part D of the Project

6. CMB shall establish an implementation unit (IU) which shall, with the assistance of consultants, be responsible for the implementation of Part D.1 of the Project. The terms of reference of the IU shall be satisfactory to the Association. IU shall prepare quarterly progress reports and submit them to PCU.

7. APC, through the Ministry of Cooperatives and Marketing, shall be responsible for the implementation of Part D.2 of the Project.

