

CONFORMED COPY

CREDIT NUMBER 2362 UG

(Northern Reconstruction Project)

between

THE REPUBLIC OF UGANDA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated June 12, 1992

CREDIT NUMBER 2362 UG

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated June 12, 1992, between THE REPUBLIC OF UGANDA (the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

WHEREAS: (A) 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;

(B) the Borrower intends to contract from the Minister of Development Cooperation of the Netherlands (Netherlands) a grant (the Netherlands Grant) in an amount equivalent to \$6,400,000 to assist in financing Part B of the Project on the terms and conditions set forth in an agreement (the Netherlands Grant Agreement) to be entered into between the Borrower and the Netherlands; and

(C) the Borrower intends to contract from the Danish International Development Agency (DANIDA) a grant (the DANIDA Grant) in an amount equivalent to \$10,520,000 to assist in financing Part H of the Project on the terms and conditions set forth in an

agreement (the DANIDA Grant Agreement) to be entered into between the Borrower and DANIDA;

(D) Part E of the Project will be carried out by Uganda Posts and Telecommunications Corporation (UPTC) with the Borrower's assistance and, as part of such assistance, the Borrower will make available to UPTC part of the proceeds of the Credit as provided in this Agreement; 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 and in the Project Agreement of even date herewith between the Association and UPTC;

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) "Project Preparation Advance" means the project preparation advance granted by the Association to the Borrower pursuant to an exchange of letters dated March 29, 1991, April 6, 1991, December 23, 1991 and January 15, 1992 between the Borrower and the Association.

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

(c) "Subsidiary Loan Agreement" means the agreement to be entered into between the Borrower and UPTC pursuant to Section 3.01 (c) of this Agreement, as the same may be amended from time to time, and such term includes any schedules to the Subsidiary Loan Agreement.

(d) "UPTC" means Uganda Posts and Telecommunications Corporation.

(e) "Project Agreement" means the agreement between the Association and Uganda Posts and Telecommunications Corporation (UPTC), of even date herewith, as the same may be amended from time to time, and such term includes all schedules and agreements supplemental to the Project Agreement.

(f) "MAAIF" means the Borrower's Ministry of Agriculture, Animal Industry and Fisheries;

(g) "MWEMEP" means the Borrower's Ministry of Water Energy, Minerals and Environment Protection;

(h) "MOWTC" means the Borrower's Ministry of Works, Transport and Communications;

(i) "MOLG" means the Borrower's Ministry of Local Government;

(j) "MOES" means the Borrower's Ministry of Education and Sports;

(k) "MOF" means the Borrower's Ministry of Finance;

(l) "MLHUD" means the Borrower's Ministry of Land, Housing and Urban Development;

- (m) "MOH" means the Borrower's Ministry of Health;
- (n) "MPED" means the Borrower's Ministry of Planning and Economic Development;
- (o) "MOCCM" means the Borrower's Ministry of Commerce, Cooperatives and Marketing;
- (p) "MOWDCY" means the Borrower's Ministry of Women in Development, Culture and Youth;
- (q) "WDD" means the Water Development Department within MWEMEP;
- (r) "Project Area" means the districts of Apac, Gulu, Kitgum, Kumi, Lira, Pallisa, Soroti, Arua, Moyo and Nebbi;
- (s) "UPTC Act" means the Uganda Posts and Telecommunications Corporation Act No. 3 of 1983;
- (t) "Project Account" means the account referred to in Section 3.01 (b) of this Agreement;
- (u) "Credit No. 1539-UG" means the Credit granted by the Association to the Borrower for the Agricultural Development Project pursuant to the Development Credit Agreement dated February 12, 1985 between the Borrower and the Association;
- (v) "Credit No. 1869-UG" means the Credit granted by the Association to the Borrower for the Southwest Region Agricultural Rehabilitation Project pursuant to the Development Credit Agreement dated February 9, 1988 between the Borrower and the Association;
- (w) "Credit No. 1803-UG" means the Credit granted by the Association to the Borrower for the Fourth Highway Project pursuant to the Development Credit Agreement dated May 29, 1987 between the Borrower and the Association;
- (x) "Credit No. 1991" means the Credit granted by the Association to the Borrower for the Second Telecommunications Rehabilitation Project, pursuant to the Development Credit Agreement dated December 20, 1989;
- (y) "CMEU" means the Coordination Monitoring and Evaluation Unit in the Office of the Prime Minister; and
- (z) "Steering Committee" means the committee referred to in paragraph 1 of Schedule 4 to this Agreement, comprising the Permanent Secretary, Office of the Prime Minister, as Chairman, and the following as members: the Permanent Secretaries of MOLG, MAAIF, MOWTC, MOH, MOES, MPED, MOCCM, MWEMEP, MLHUD, MOWDCY, respectively, the Permanent Secretary, Office of the President, the Secretary to the Treasury, MOF and the Managing Director, UPTC.

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 fifty-one million nine hundred thousand Special Drawing Rights (SDR 51,900,000).

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 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 a special deposit account in a commercial bank through the Bank of Uganda 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 September 30, 1998 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 April 1 and October 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 April 1 and October 1 commencing October 1, 2002 and ending April 1, 2032. Each installment to and including the installment payable on April 1, 2012 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 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:

(i) shall carry out Parts A through D and F through H of the Project with due diligence and efficiency and in conformity with appropriate administrative and financial practices and shall provide, promptly as needed, the funds, facilities, services and other resources required for such Parts of the Project; and

(ii) without limitation or restriction upon any of its other obligations under this Agreement, the Borrower shall cause UPTC to perform all its obligations set forth in the Project Agreement, shall take or cause to be taken all action, including the provision of funds, facilities, services and other resources, necessary or appropriate to enable UPTC to perform such obligations, and shall not take or permit to be taken any action which would prevent or interfere with such performance.

(b) The Borrower shall, for the purposes of the Project (i) open and maintain in the Bank of Uganda, until the completion of the Project, a Project account and deposit therein on a quarterly basis the amount estimated to be required to cover the expenditures to be made for the Project during such quarter which are not covered by withdrawals from the proceeds of the Credit Account and other cofinanciers; and (ii) deposit therein an initial amount of the Uganda Shillings equivalent to two hundred thirty thousand dollars (\$230,000).

(c) 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: (i) carry out Parts A through D and F through H of the Project in accordance with the Implementation Program set forth in Schedule 4 to this Agreement; and (ii) make provisions, satisfactory to the Association, for the budgeting, disbursement and accounting of the Borrower's contribution for the implementation of the Project.

(d) The Borrower shall relend the equivalent of eleven million five hundred thousand dollars (\$11,500,000) from the proceeds of the Credit to UPTC under a subsidiary loan agreement to be entered into between the Borrower and UPTC, under terms and conditions which shall have been approved by the Association which shall include repayment of principal in twenty years including five year of grace, the payment of interest at the rate of 7.73 percent

per annum, and UPTC bearing the risk of exchanges.

(e) The Borrower shall exercise its rights under the Subsidiary Loan 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 Subsidiary Loan Agreement or any provision thereof.

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. The Borrower and the Association hereby agree that the obligations set forth in Sections 9.03, 9.04, 9.05, 9.06, 9.07 and 9.08 of the General Conditions (relating to insurance, use of goods and services, plans and schedules, records and reports, maintenance and land acquisition, respectively) in respect of Part E of the Project shall be carried out by UPTC pursuant to Section 2.03 of the Project Agreement.

Section 3.04. The Borrower undertakes to limit the aggregate of any additional external financing for investments to be carried out by CMEU, during the implementation of the Project, to the equivalent of \$12,000,000, except with the prior consultation of the Association.

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 Parts A through D and F through H 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 and the Project 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 nine 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 report for the fiscal year in which the last withdrawal from the

Credit 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

Remedies of the Association

Section 5.01. Pursuant to Section 6.02 (h) of the General Conditions, the following additional events are specified:

(a) UPTC shall have failed to perform any of its obligations under the Project Agreement.

(b) As a result of events which have occurred after the date of the Development Credit Agreement, an extraordinary situation shall have arisen which shall make it improbable that UPTC will be able to perform its obligations under the Project Agreement.

(c) The UPTC Act shall have been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of UPTC to perform any of its obligations under the Project Agreement.

(d) The Borrower shall have failed to provide the Association with evidence that: (i) the Netherlands Grant Agreement has been executed by a date not later than February 28, 1993; and (ii) the DANIDA Grant Agreement has been executed by a date not later than March 31, 1993.

(e) The Borrower or any other authority having jurisdiction shall have taken any action for the dissolution or disestablishment of UPTC or for the suspension of its operations.

(f) (i) Subject to subparagraph (ii) of this paragraph:

(A) the right of the Borrower to withdraw the proceeds of any loan or grant made to the Borrower for the financing of the Project shall have been suspended, cancelled or terminated in whole or in part, pursuant to the terms thereof, or

(B) any such loan shall have become due and payable prior to the agreed maturity thereof.

(ii) Subparagraph (i) of this paragraph shall not apply if the Borrower establishes to the satisfaction of the Association that: (A) such suspension, cancellation, termination or prematuring is not caused by the failure of the Borrower to perform any of its obligations under such agreement; and (B) adequate funds for the Project are available to the Borrower from other sources on terms and conditions consistent with the obligations of the Borrower under this Agreement.

Section 5.02. Pursuant to Section 7.01 (d) of the General Conditions, the following additional events are specified:

(a) any event specified in paragraph (a) of Section 5.01 of this Agreement shall occur and shall continue for a period of sixty days after notice thereof shall have been given by the Association to the Borrower; and

(b) any event specified in paragraphs (c) and (d) of Section 5.01 of this Agreement shall occur.

ARTICLE VI

Effective Date; Termination

Section 6.01. 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) that the Project Account has been established and the initial deposit into the Project Account has been made pursuant to Section 3.01 (b) of this Agreement; and

(b) CMEU has been staffed with at least a Project coordinator, a deputy coordinator, an accountant, a monitor and a technical advisor.

Section 6.02. 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 Project Agreement has been duly authorized or ratified by UPTC, and is legally binding upon UPTC in accordance with its terms.

Section 6.03. 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 VII

Representatives of the Borrower; Addresses

Section 7.01. 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 7.02. 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:

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 in SDR Equivalent)	% of Expenditures to be Financed
Part A of the Project		
(1) Goods and services under the rural credit scheme	1,020,000	100%
(2) Agricultural inputs, materials, equipment, vehicles, training and Project administration	2,320,000	80% of local expenditures and 100% of foreign expenditures
(3) Incremental recurrent expenditures	340,000	1993 through 1995: 80% of local expenditures, 1996 through 1998: 50% of local expenditures
Part C of the Project		
(4) Civil works and construction materials	2,950,000	50% of local expenditures and 100% of foreign expenditures
Category	Amount of the Credit Allocated (Expressed in SDR Equivalent)	% of Expenditures to be Financed
(5) Furniture, equipment, tools, vehicles,	3,870,000	80% of local expenditures and

	teaching materials, training, seminars, Project administration, and consultants' services		100% of foreign expenditures
Part D of the Project			
(6)	Civil works	16,000,000	25% of local expenditures and 100% of foreign expenditures
(7)	Consultants' services	870,000	100%
Part E of the Project			
(8)	Civil works, equipment, vehicles, consul- tants' services and training	8,400,000	100% of foreign expenditures
Part F of the Project			
(9)	Civil works	3,770,000	50% of local expenditures and 100% of foreign expenditures
(10)	Equipment, vehicles and project admini- stration	500,000	80% of local expenditures and 100% of foreign expenditures
(11)	Consultants' services	560,000	100%
	Category	Amount of the Credit Allocated (Expressed in SDR Equivalent)	% of Expenditures to be Financed
Part G of the Project			
(12)	Civil works	2,180,000	50% of local expenditures and 100% of foreign expenditures
(13)	Equipment, vehicles, training and Project administration	1,340,000	80% of local expenditures and 100% of foreign expenditures
(14)	Consultants' services	400,000	100%
Part I of the Project			
(15)	Vehicles, furniture and Project administration	1,500,000	80% of local expenditures and 100% of foreign expenditures
(16)	Refunding of Project Preparation Advance	1,100,000	Amounts due pursuant to Section 2.02 (c) of this Agreement
(17)	Unallocated	<u>4,780,000</u>	

TOTAL 51,900,000
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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;

(c) the term "incremental recurrent expenditures" means expenditures incurred for operation of vehicles, including fuel and maintenance, and performance and field allowances for agricultural extension, adaptive research and veterinary staff; and

(d) the term "project administration" means expenditures incurred for office supplies and equipment, operation of vehicles, including fuel and maintenance, utilities and performance and field allowances for Project staff satisfactory to the Association.

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of: (a) payments made for expenditures prior to the date of this Agreement; (b) payment made for expenditures under Categories (1), (2) and (3), unless the Borrower has provided the Association with audited accounts required under the Development Credit Agreements for Credit 1539-UG and Credit 1869-UG respectively; (c) payments made for expenditures under Categories (6) and (7), unless the Borrower has provided the Association with audited accounts required under the Development Credit Agreement for Credit Number 1803-UG; and (d) payments made for expenditures under Category (8), unless (A) the Subsidiary Loan Agreement has been executed by the Borrower and UPTC, the Borrower and UPTC have provided the Association with audited accounts required under the Development Credit Agreement for Credit Number 1991-UG, (B) the Association is satisfied that UPTC's ability to carry on its operations and conduct its affairs in conformity with sound administrative practices has been fully restored, and (C) UPTC has complied with the provisions of Section 3.04 of the Project Agreement.

SCHEDULE 2

Description of the Project

The objectives of the Project are: (a) to assist the Borrower's short- and medium-term efforts in the reconstruction of essential economic and social infrastructure in the Project Area; and (b) to lay the foundation for addressing longer-term economic and social development needs in the Project Area.

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: Agriculture

Increase in agricultural production through:

1. provision of agricultural inputs, including farm implements, seeds, agro-chemicals, fishing equipment, veterinary drugs, construction materials and equipment;
2. agricultural extension and adaptive research;
3. assistance to the livestock sector;
4. agricultural credit to individual farmers and cooperatives;

and

5. strengthening of agricultural inputs management, coordination, monitoring and evaluation.

Part B: Community Action Program

Implementation of a community-based action program in the Arua, Nebbi and Moyo districts of the Project Area, including: (1) institution strengthening from local communities up to district level; and (2) micro-projects identified and to be implemented by local communities.

Part C: Education and Training

1. Integrated teacher education of about 3,000 primary school teachers.

2. Improvement of technical training through the acquisition of basic equipment, tools and teaching and learning materials for about six technical schools and four technical institutes, and the rehabilitation of about six workshops and the construction of about four new workshops.

3. Rehabilitation and replacement of about 1,860 primary school classrooms including the acquisition of furniture and teaching materials and improvement of water supply and sanitary facilities.

Part D: Highways

Improvement of roads in the Project Area through:

1. Rehabilitation and regraveling of the Atiak-Moyo, Gulu-Acholibur, Soroti-Lira and Kumi-Serere-Soroti roads;

2. Rehabilitation and resealing of the Kafu-Karuma section of the Kampala-Gulu road;

3. Supervision of road construction.

Part E: Telecommunications

1. Acquisition of about 4 small-capacity radio systems;

2. supply and installation of a microwave system to link Kampala with Gulu;

3. supply and installation of a telephone exchange with a capacity of about 3,000 lines at Gulu with provisions for trunk terminations for Kampala, Kitgum, Lira, Arua, Masindi and Moyo;

4. supply and installation of cable networks to connect subscribers to the telephone exchange;

5. provision of about 5,000 telephone instruments and about 50 pay phones;

6. construction of access roads, buildings for equipment and tower foundations;

7. acquisition of about six vehicles; and

8. technical assistance, consultants' services and staff training.

Part F: Urban Development

Improvement of key infrastructure facilities in seven district towns through: (a) rehabilitation of streets and drains; (b) rehabilitation of town markets; (c) improvement of urban services through the acquisition of equipment and materials; (d) studies on strategic town planning; (e) a study to identify institutional

constraints on the development of small-scale enterprises in urban centers; and (f) training of local council staff.

Part G: Water Supply and Sanitation

(a) Drilling and equipping of about 360 new boreholes with hand pumps; (b) demonstration of other water supply technologies, improved latrines and health education; (c) rehabilitation of water and sanitation facilities; and (d) institutional strengthening of WDD.

Part H: Feeder Roads

1. Rehabilitation of about 270 km of priority feeder roads and about 600 km of other feeder roads in the Project Area, including the provision of additional workshops, road equipment and tools.

2. Provision of equipment, tools and training to district administrations for feeder road maintenance and spot improvement.

Part I: Project Administration

1. Institutional strengthening and support to CMEU.

* * *

The Project is expected to be completed by September 30, 1997.

SCHEDULE 3

Procurement and Consultants' Services

Section I. Procurement of Goods and Works

Part A: International Competitive Bidding

1. Except as provided in Part D 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. Bidders for the works included in Part D of the Project shall be prequalified as described in paragraph 2.10 of the Guidelines.

3. Goods to be procured through international competitive bidding shall be exempted from pre-shipment price inspection by a third party.

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: Preference for Domestic Contractors

In the procurement of works in accordance with the procedures described in Part A.1 hereof, the Borrower may grant a margin of preference to domestic contractors in accordance with, and subject to, the provisions of paragraphs 2.55 and 2.56 of the Guidelines and paragraph 5 of Appendix 2 thereto.

Part D: Other Procurement Procedures

1. (a) Contracts for the procurement of agricultural inputs under Part A of the Project, estimated to cost the equivalent of \$50,000 or less per contract, up to an aggregate amount equivalent to \$300,000; (b) rehabilitation of short lengths of urban streets dispersed in remote locations, up to an aggregate amount equivalent

to \$1,000,000; (c) civil works contracts for telecommunications and urban water supply and sewerage rehabilitation estimated to cost the equivalent of \$200,000 or less per contract, up to an aggregate amount equivalent to \$1,370,000; and (d) furniture for schools and equipment and materials for water supply estimated to cost \$200,000 or less per contract, up to an aggregate amount equivalent to \$1,000,000, may be procured under contracts awarded on the basis of competitive bidding, advertised locally, in accordance with procedures satisfactory to the Association, including public opening of bids, criteria for awarding contracts and non-exclusion of foreign firms from bidding.

2. (a) Minor civil works for telecommunications estimated to cost the equivalent of \$50,000 or less per contract up to an aggregate amount equivalent to \$100,000; and (b) equipment and materials and urgently required vehicles for schools and water supply estimated to cost the equivalent of \$50,000 or less per contract, up to an aggregate amount equivalent to \$1,200,000, 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.

3. (a) Contracts for the purchase of books under Part C.3 of the Project, up to an aggregate amount not to exceed the equivalent of \$600,000, may be procured on the basis of negotiations with publishing houses holding copyrights on such books or with such publishers' authorized distributors.

(b) Contracts for the purchase of parts required to refurbish existing drilling rigs under Part G of the Project, up to an aggregate amount not to exceed the equivalent of \$200,000, may be procured on the basis of negotiations with the manufacturers of the drilling rigs.

4. Contracts for the purchase of handpumps for water supply of a standard design suitable for maintenance by communities under Part G of the Project, up to an aggregate amount not to exceed the equivalent of \$390,000, may be procured from UNICEF, in accordance with procedures acceptable to the Association.

5. Drilling works for about 360 boreholes under Part G of the Project and rehabilitation works for urban water and sewerage facilities in three towns, small water supply and sanitation installations and allowances and transport for the rehabilitation and construction of primary schools up to an aggregate amount not to exceed the equivalent of \$2,750,000, may be carried out by WDD, and MOES with the assistance of MOLG, using their respective personnel and equipment, with the prior agreement of the Association.

Part E: 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 estimated to cost the equivalent of \$100,000 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 withdrawals from the Credit Account are to be made 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 and UPTC in carrying out 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.

SCHEDULE 4

Implementation Program

Project Coordination

1. CMEU, in the Office of the Prime Minister in Kampala, under the guidance of the Steering Committee, shall be responsible for the overall coordination, monitoring and evaluation of the Project, including the preparation and auditing of accounts pursuant to Section 4.01 of this Agreement, and the administration of the Special Account. The Office of the Prime Minister shall be responsible for the management of the Project Account and statements of expenditures. CMEU shall ensure that the ministries and agencies responsible for the implementation of the various components of the Project as specified in this Schedule, submit semiannual progress reports to CMEU. Based on such reports, CMEU shall prepare and furnish the Association with comprehensive Project progress reports by February 15 and August 15 of each year of Project implementation. Upon the completion of the Project CMEU shall be responsible for the preparation of the Project Completion Report.

2. The Borrower and the Association shall jointly review progress made in the implementation of the various components of the Project not later than March 15, 1994, on the basis, inter alia, of an evaluation to be carried out by consultants hired for this purpose by the Borrower. The Borrower shall take such corrective measures, satisfactory to the Association, as may be necessary as a result of such review.

Part A of the Project

3. Except for the fisheries sub-component, which shall be implemented by the Fisheries Department of MAAIF, the remaining sub-components of Part A of the Project shall be carried out by the existing Project Management Unit established in MAAIF for the implementation of the on-going Agricultural Development Project.

4. MAAIF shall carry out the rural credit scheme with the assistance of a financial intermediary, satisfactory to the Association, and in accordance with procedures and terms and conditions including: (a) a US\$ 3,000,000 loan limit to any member of a society; (b) interest rate which shall be positive as determined by the Bank of Uganda from time to time; (c) repayment not exceeding 12 months for working capital loans and 24 months for development loans; and (d) adequate collateral to ensure prompt payment of principal and all charges accrued thereon.

Part B of the Project

5. CMEU shall be responsible for the implementation of Part B of the Project under terms and conditions, satisfactory to the Association, to be agreed upon by the Borrower and the Netherlands.

Part C of the Project

6. The integrated teacher education sub-component shall be implemented by MOES' Project Implementation Unit (PIU) with the assistance of consultants. MOES shall furnish the Association with the terms and conditions under which the consultants will provide services to MOES, including recruitment of specialists, satisfactory to the Association, and the list of urgently needed equipment and transport. MOES shall execute the necessary agreement with an appropriate organization not later than October 31, 1992.

7. MOES' PIU shall be responsible for the implementation of the technical training and primary school sub-components and shall, by not later than December 31, 1992, furnish the Association with the list of institutions selected to receive assistance and a list of goods to be procured. MOLG shall assist MOES in the implementation of the primary schools sub-component.

Part D of the Project

8. MOWTC, which shall be responsible for the implementation of this component, shall, by not later than four months prior to the beginning of each fiscal year over the period 1994-1998, review with the Association the budgetary requirements and the proposed budgetary allocation for road maintenance.

Part F of the Project

9. While the Physical Planning Department of MLHUD shall be responsible for the implementation of the strategic town planning sub-component, MOLG, with the assistance of consultants, shall implement the remaining sub-components, and furnish to the Association for review and comments: (a) draft bid documents for the rehabilitation of streets and drains and the improvement of markets; (b) a list of equipment for maintenance of urban services including detailed specifications; and (c) evidence that satisfactory staffing and financing arrangements have been made to maintain urban services with the equipment to be procured. MOLG shall cause studies on strategic town planning, and a regulatory study to be completed by not later than October 31, 1994 and October 31, 1993, respectively. MOLG shall also ensure that, in order to achieve full cost recovery of recurrent expenditures, local authorities shall revise tariffs and charges for urban services by not later than June 30, 1993.

Part G of the Project

10. WDD in MWEMEP shall be responsible for implementation of this component. CMEU shall promptly furnish the Association with a staffing plan, a list of organizations selected to assist in Project implementation in each district, an implementation plan for borehole drilling and, by not later than October 31, 1992, an agreement defining the terms and conditions under which WDD, the district administrations concerned and the organizations to be hired will carry out their respective responsibilities.

SCHEDULE 5

Special Account

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories 1 through 15 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 \$3,000,000 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.

(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; 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.

