

CONFORMED COPY

CREDIT NUMBER 3297-UG

Development Credit Agreement

(Second Economic and Financial Management Project)

between

THE REPUBLIC OF UGANDA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated December 22, 1999

CREDIT NUMBER 3297-UG

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated December 22, 1999, between THE REPUBLIC OF UGANDA (the Borrower) and the 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 Association has received a letter dated October 28, 1999, from the Borrower describing a program of actions, objectives and policies designed to improve fiscal devolution, control and management of public expenditure (the Program) and declaring the Borrower's commitment to the execution of the Program;

(C) Part C of the Project will be carried out by Uganda Bureau Of Statistics (UBOS) with the Borrower's assistance, and as part of such assistance, the Borrower will make available to UBOS part of the proceeds of the Credit as provided in this Agreement;

(D) Part D of the Project will be carried out by Uganda Management Institute (UMI) with the Borrower's assistance, and as part of such assistance, the Borrower will make available to UMI 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 UBOS Project Agreement and the UMI Project Agreement of even date herewith between the Association and UBOS, and between the Association and UMI, respectively;

NOW THEREFORE the parties hereto hereby agree as follows:

#### ARTICLE I

##### General Conditions; Definitions

Section 1.01. The "General Conditions Applicable to Development Credit Agreements" of the Association, dated January 1, 1985, as amended through December 2, 1997 (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) "Special Accounts" means each of the accounts referred to in Section 2.02 (b) of this Agreement;

(b) "Project Preparation Advance" means the project preparation advances granted by the Association to the Borrower pursuant to an exchange of letters dated December 6, 1996 and December 20, 1996, March 17, 1998 and March 27, 1998, respectively, between the Borrower and the Association;

(c) "UBOS" means Uganda Bureau of Statistics, established pursuant to UBOS Act No. 12 dated June 11, 1998;

(d) "UMI" means Uganda Management Institute, established under the Borrower's Uganda Management Institute Statute No. 6 of 1992;

(e) "MoFPED" means the Borrower's Ministry of Finance, Planning and Economic Development;

(f) "UBOS Project Agreement" means the agreement between the Association and UBOS 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 UBOS Project Agreement;

(g) "UMI Project Agreement" means the agreement between the Association and UMI 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 UMI Project Agreement;

(h) "Project Management Report" means each report prepared in accordance with Section 4.02 of this Agreement;

(i) "UBOS Subsidiary Agreement" means the agreement to be entered into between the Borrower and UBOS pursuant to Section 3.01 (d) of this Agreement, as the same may be amended from time to time, and such term includes all schedules to the Subsidiary Agreement;

(j) "UMI Subsidiary Agreement" means the agreement to be entered into between the Borrower and UMI pursuant to Section 3.01 (e) of this Agreement, as the same may be amended from time to time, and such term includes all schedules to the Subsidiary Agreement;

(k) "UCS" means Uganda Computer Services within MoFPED ;

(l) "Local Government" means a local government established under the Borrower's Local Governments Act of 1997;

(m) "PIM" or "Project Implementation Manual" means the manual referred to in paragraph 5 of Schedule 4 to this Agreement and to be used for the purposes of

implementation of the Project, as the same may be amended from time to time, in consultation, and with the approval of the Association, and such term includes any schedules to the Project Implementation Manual;

(n) "Project Coordinator" means the coordinator referred to in paragraph 2 of Schedule 4 to this Agreement;

(p) "FY" means the Borrower's fiscal year; and

(o) "Project Task Manager" means the task manager referred to in paragraphs 3 and 4 of Schedule 4 to 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 twenty-four million seven hundred thousand Special Drawing Rights (SDR 24,700,000).

Section 2.02. (a) The amount of the Credit may be withdrawn from the Credit Account in accordance with the provisions of Schedule 1 to this Agreement for expenditures made (or, if the Association shall so agree, to be made) in respect of the reasonable cost of goods and services required for the Project described in Schedule 2 to this Agreement and to be financed out of the proceeds of the Credit.

(b) The Borrower may, for the purposes of the Project, open and maintain in Dollars three (3) separate special deposit accounts (Special Account "A" for Parts A and B of the Project, Special Account "B" for Part C of the Project and Special Account "C" for Part D of the Project), in a commercial bank acceptable to the Association, on terms and conditions satisfactory to the Association. Deposits into, and payments out of, each respective 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 canceled.

Section 2.03. The Closing Date shall be December 31, 2003 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 (60) days after the date of this Agreement (the accrual date) to the respective dates on which amounts shall be withdrawn by the Borrower from the Credit Account or canceled; and (ii) at the rate set as of the June 30 immediately preceding the accrual date and at such other rates as may be set from time to time thereafter pursuant to paragraph (a) above. The rate set as of June 30 in each year shall be applied from the next date in that year specified in Section 2.06 of this Agreement.

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

Section 2.05. The Borrower shall pay to the Association a service charge at the

rate of three-fourths of one percent (3/4 of 1%) per annum on the principal amount of the Credit withdrawn and outstanding from time to time.

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

Section 2.07. (a) Subject to paragraphs (b), (c) and (d) below, the Borrower shall repay the principal amount of the Credit in semiannual installments payable on each March 1 and September 1 commencing March 1, 2010, and ending September 1, 2039. Each installment to and including the installment payable on September 1, 2019, shall be one percent (1%) of such principal amount, and each installment thereafter shall be two percent (2%) of such principal amount.

(b) Whenever: (i) the Borrower's per capita gross national product (GNP), as determined by the Association, shall have exceeded for three (3) consecutive years the level established annually by the Association for determining eligibility to access the Association's resources; and (ii) the Bank shall consider the Borrower creditworthy for Bank lending, the Association may, subsequent to the review and approval thereof by the Executive Directors of the Association and after due consideration by them of the development of the Borrower's economy, modify the repayment of installments under paragraph (a) above by: (A) requiring the Borrower to repay twice the amount of each such installment not yet due until the principal amount of the Credit shall have been repaid; and (B) requiring the Borrower to commence repayment of the principal amount of the Credit as of the first semiannual payment date referred to in paragraph (a) above, falling six (6) months or more after the date on which the Association notifies the Borrower that the events set out in this paragraph (b) have occurred, provided, however, that there shall be a grace period of a minimum of five (5) years on such repayment of principal.

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

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

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

### ARTICLE III

#### Execution of the Project

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

(b) Without any limitation or restriction upon any of its other obligations under the Development Credit Agreement, the Borrower shall cause UBOS and UMI to perform in accordance with the provisions of the UBOS and UMI Project Agreements, respectively, all the obligations of UBOS and UMI, respectively, therein set forth, shall take and cause to be taken all action, including the provision of funds, facilities, services and other resources, necessary or appropriate to enable UBOS and UMI, respectively, to perform such obligations, and shall not take or permit to be taken any action which would prevent or interfere with such performance.

(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 carry out Parts A and B of the Project and cause UBOS and UMI to carry out Parts C and D of the Project, respectively, all in accordance with the Implementation Program set forth in Schedule 4 to this Agreement.

(d) For the purposes of Part C of the Project, the Borrower shall, under a subsidiary agreement to be entered into between the Borrower and UBOS (the UBOS Subsidiary Agreement) and on terms and conditions which shall have been approved by the Association, transfer the proceeds of the Credit allocated from time to time to Categories 1 (a), 2 (c), 3 (c) and 4 (c) of the table in paragraph 1 of Schedule 1 to this Agreement to UBOS as a grant.

(e) For the purposes of Part D of the Project the Borrower shall, under a subsidiary agreement to be entered into between the Borrower and UMI (the UMI Subsidiary Agreement) and on terms and conditions which shall have been approved by the Association, transfer the proceeds of the Credit allocated from time to time to Categories 1 (b), 2 (d), 3 (d) and 4 (d) of the table in paragraph 1 of Schedule 1 to this Agreement to UMI as a grant.

(f) The Borrower shall exercise its rights under the UBOS Subsidiary Agreement and the UMI Subsidiary 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 UBOS Subsidiary Agreement, the UMI Subsidiary 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. For the purposes of Section 9.07 of the General Conditions and without limitation thereto, the Borrower shall:

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

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

Section 3.04. 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: (a) Part C of the Project, shall be carried out by UBOS pursuant to Section 2.03 of the UBOS Project Agreement; and (b) Part D of the Project, shall be carried out by UMI pursuant to Section 2.03 of the UMI Project Agreement.

#### ARTICLE IV

##### Financial Covenants

Section 4.01. (a) The Borrower shall maintain or cause to be maintained records and accounts adequate to reflect in accordance with sound accounting practices the operations, resources and expenditures of the departments or agencies of the Borrower responsible for carrying out Parts A and B of 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 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 (6) months after the end of each such year, 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 and 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:

(a) (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 was made, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures;

(iii) enable the Association's representative 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 4.02. Without limitation upon the provisions of Section 4.01 of this Agreement, the Borrower shall carry out a time-bound action plan acceptable to the Association for the strengthening of its financial management system for Parts A and B of the Project in order to enable the Borrower, not later than twelve (12) months after the Effective Date or such later date as the Association shall agree, to prepare quarterly Project Management Reports, acceptable to the Association, each of which:

(a) (i) sets forth actual sources and applications of funds for Parts A and B of the Project, both cumulatively and for the period covered by said report, and projected sources and applications of funds for Parts A and B of the Project for the six-month period following the period; and

(ii) shows separately expenditures financed out of the proceeds of the Credit during the period covered by said report and expenditures proposed to be financed out of the proceeds of the Credit during the six-month period following the period covered by said report;

(b) (i) describes physical progress in the implementation of Parts A and B of the Project, both cumulatively and for the period covered by said report, and

(ii) explains variances between the actual and previously forecast implementation targets; and

(c) sets forth the status of procurement under Parts A and B of the Project and expenditures under contracts financed out of the proceeds of the Credit, as at the end of the period covered by said report.

#### ARTICLE V

##### Remedies of the Association

Section 5.01. Pursuant to Section 6.02 (1) of the General Conditions, the

following additional events are specified:

(a) A situation shall have arisen which shall make it improbable that the Program or a significant part thereof will be carried out.

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

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

Section 5.02. Pursuant to Section 7.01 (h) of the General Conditions, the following additional event is specified: the events specified in paragraphs (b) or (c) of Section 5.01 of this Agreement shall occur and shall continue for a period of sixty (60) days after notice thereof shall have been given by the Association to the Borrower.

#### ARTICLE VI

##### Effective Date; Termination

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

- (a) the Borrower has:
- (i) completed the process for recruitment of accountants in the Borrower's Ministries;
  - (ii) completed an interim strategy for UCS in form and substance satisfactory to the Association;
  - (iii) taken all measures necessary to appoint its Auditor General;
  - (iv) appointed the Executive Director of UBOS and approved a staffing plan, satisfactory to the Association, for UBOS; and
  - (v) adopted the PIM, in form and substance satisfactory to the Association; and

(b) The UBOS Subsidiary Agreement and the UMI Subsidiary Agreement have been executed on behalf of the Borrower and UBOS and UMI, respectively.

Section 6.02. The following are specified as additional matters, 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:

(a) that the UBOS Project Agreement and the UMI Project Agreement have been duly authorized or ratified by UBOS and UMI, respectively, and are legally binding upon UBOS and UMI, respectively, in accordance with their respective terms; and

(b) that the UBOS Subsidiary Agreement and the UMI Subsidiary Agreement have been duly authorized or ratified by the Borrower, UBOS and UMI and are legally binding upon the Borrower, UBOS and UMI, respectively, in accordance with their respective 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

##### Representative of the Borrower; Addresses

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

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

For the Borrower:

Ministry of Finance, Planning and Economic Development  
P. O. Box 8147  
Kampala  
Uganda

Cable address:	Telex:	Facsimile:
FINSEC Kampala	61170	

For the Association:

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

Cable address:	Telex:	Facsimile:
INDEVAS Washington, D.C.	248423 (MCI) or 64145 (MCI)	

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/ Edith Ssempala

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Callisto Madavo

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
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(1)	Civil works under:		
	(a) Part C of the Project; and	780,000	95%
	(b) Part D of the Project	450,000	95%
(2)	Goods, Vehicles and Equipment under:		
	(a) Part A of the Project;	1,370,000	95%
	(b) Part B of the Project;	1,840,000	95%
	(c) Part C of the Project; and	610,000	95%
	(d) Part D of the Project	520,000	95%
(3)	Consultants' Services and Training under:		
	(a) Part A of the Project;	3,470,000	95%
	(b) Part B of the Project;	10,490,000	95%
	(c) Part C of the Project; and	680,000	95%
	(d) Part D of the Project	160,000	95%
(4)	Incremental operating costs:		
	(a) Part A of the Project;	330,000	55%
	(b) Part B of the Project;	260,000	55%
	(c) Part C of the Project; and	1,110,000	55%
	(d) Part D of the Project	720,000	80% until December 31, 2000, 65% until December 31, 2002, and 40% thereafter
(5)	Refunding of Project Preparation Advance	1,020,000	Amounts due pursuant to Section 2.02 (c) of this Agreement
(6)	Unallocated	890,000	
	TOTAL	24,700,000	

2. For the purposes of this Schedule: the term "incremental operating costs" means the incremental expenses incurred on account of Project implementation, management and monitoring, including office supplies, vehicle operation, travel and supervision costs but excluding salaries of officials of the Borrower.

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

4. The Association may require withdrawals from the Credit Account to be made on the basis of statements of expenditure for expenditures for: (a) goods, works and consultancy services by firms under contracts costing less than \$100,000 equivalent each; and (b) consultancy services by individuals under contracts costing less than \$50,000 equivalent each, all under such terms and conditions as the Association shall specify by notice to the Borrower.

## SCHEDULE 2

### Description of the Project

The objective of the Project is to assist the Borrower to improve the effectiveness of its public expenditure management processes including its planning, budgeting, financial management and monitoring and evaluation capacity through: (i) improving and harmonizing the central and local government planning and budgetary processes and supporting the decentralization of the development budget; (ii) strengthening financial management especially through improving accounting processes; and (iii) building capacity to monitor development performance, service delivery and the impact of public expenditure on poverty trends.

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: Planning and Budgeting

Strengthening the Borrower's capacity in planning and budgeting processes at the central and local government levels including: (i) improvement in planning and budgeting functions and processes in the Borrower's Ministry of Finance, Planning and Economic Development; (ii) improvement in transparency and accountability of budget and public expenditure processes; including the timely involvement of relevant parliamentary committees; (iii) expanding fiscal decentralization processes; (iv) strengthening the linkages between national and local government planning and budgeting processes; and (v) integration of recurrent and development budget through the provision of technical advisory services, training and the acquisition of equipment.

#### Part B: Financial Management

Strengthening the Borrower's capacity to produce more timely, transparent and accurate financial and accounting information at the central and local government levels including: (i) strengthening capacity for maintaining and improving financial management systems at the central government level; (ii) improving capacity for the management of financial information and provision of information technology support at the central and local government levels; (iii) strengthening local governments' capacity to maintain and improve financial management systems; (iv) enhancing capacity and effectiveness of external audit function; and (v) introduction of improved financial management systems at the central and local government levels, through the provision of technical advisory services and training, and the acquisition of equipment.

#### Part C: Statistics Capacity Building

Strengthening the Borrower's capacity to monitor development performance, service delivery and the impact of public expenditure on poverty trends, including: (i) support for the establishment of UBOS; (ii) implementation of the National Service Delivery Survey and development of capacity within UBOS to implement such surveys; (iii) strengthening of household survey capacities within UBOS, through the provision

of technical advisory services, training and the acquisition of equipment; and (iv) relocation of UBOS to new premises in Kampala.

Part D: Global Distance Learning

Support for the establishment and operation of a global distance learning network center, through the provision of technical advisory services, the construction of office premises and the acquisition of office equipment

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The Project is expected to be completed by June 30, 2003.

SCHEDULE 3

Procurement and Consultants' Services

Section I. Procurement of Goods and Works

Part A: General

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

Part B: International Competitive Bidding

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

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

(a) Grouping of contracts

To the extent practicable, contracts for vehicles, equipment, computers and furniture shall be grouped in bid packages estimated to cost \$100,000 equivalent or more each.

(b) Preference for domestically manufactured goods

The provisions of paragraphs 2.54 and 2.55 of the Guidelines and Appendix 2 thereto shall apply to goods manufactured in the territory of the Borrower.

Part C: Other Procurement Procedures

1. National Competitive Bidding

(a) Goods estimated to cost less than \$100,000 equivalent per contract, up to an aggregate amount not to exceed \$1,850,000 equivalent; and

(b) works under Part D of the Project estimated to cost less than \$700,000 may be procured under contracts awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines.

2. Direct Contracting

Goods under Part D of the Project, for network access, video-conferencing and satellite bandwidth rent and elevator rehabilitation which should be procured as an extension of an existing contract, or must be procured from a particular supplier as a condition of performance guarantee and costing \$600,000 equivalent or less in the aggregate, may, with the Association's prior agreement, be procured in accordance with the provisions of paragraph 3.7 of the Guidelines.

3. Shopping

Goods to be procured:

(a) for Parts A, B and C of the Project, estimated to cost less than \$30,000 equivalent per contract, up to an aggregate amount not to exceed \$3,300,000 equivalent; and

(b) for Part D of the Project, estimated to cost less than \$50,000 equivalent per contract, up to an aggregate amount not to exceed \$1,000,000, may be procured under contracts awarded on the basis of national or international shopping procedures in accordance with the provisions of paragraphs 3.5 and 3.6 of the Guidelines.

Part D: Review by the Association of Procurement Decisions

1. Procurement Planning

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

2. Prior Review

With respect to each contract estimated to cost the equivalent of \$100,000 or more, the procedures set forth in paragraphs 2 and 3 of Appendix 1 to the Guidelines shall apply.

3. Post Review

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

Section II. Employment of Consultants

Part A: General

Consultants' services shall be procured in accordance with the provisions of the Introduction and Section IV of the "Guidelines: Selection and Employment of Consultants by World Bank Borrowers" published by the Bank in January 1997 and revised in September 1997 and January 1999 (the Consultant Guidelines) and the following provisions of Section II of this Schedule.

Part B: Quality- and Cost-based Selection

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

2. The following provisions shall apply to consultants' services to be procured under contracts awarded in accordance with the provisions of the preceding paragraph. The short list of consultants for services estimated to cost less than \$200,000 equivalent per contract, may comprise entirely national consultants in accordance with the provisions of paragraph 2.7 of the Consultant Guidelines.

Part C: Other Procedures for the Selection of Consultants

1. Selection Based on Consultants Qualifications

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

2. Individual Consultants

Services for tasks that meet the requirements set forth in paragraph 5.01 of the Consultant Guidelines shall be procured under contracts awarded to individual consultants in accordance with the provisions of paragraphs 5.1 through 5.3 of the Consultant Guidelines.

3. Single Source Selection

In exceptional cases, where the overall interest of the Borrower and the Project demand, services may, with the Association's prior agreement, be procured in accordance with the provisions of paragraphs 3.8 through 3.11 of the Consultant Guidelines.

4. Selection Under a Fixed Budget

Services under Part B of the Project may be procured under contracts awarded in accordance with the provisions of paragraphs 3.1 and 3.5 of the Consultant Guidelines.

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

1. Selection Planning

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

2. Prior Review

(a) With respect to each contract for the employment of consulting firms estimated to cost the equivalent of \$200,000 or more, the procedures set forth in paragraphs 1, 2 (other than the third subparagraph of paragraph 2(a)) and 5 of Appendix 1 to the Consultant Guidelines shall apply.

(b) With respect to each contract for the employment of consulting firms estimated to cost the equivalent of \$100,000 or more, but less than the equivalent of \$200,000 the procedures set forth in paragraphs 1, 2 (other than the second subparagraph of paragraph 2(a)) and 5 of Appendix 1 to the Consultant Guidelines shall apply.

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

3. Post Review

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

SCHEDULE 4

Implementation Program

1. The Borrower shall:

(a) maintain policies and procedures adequate to enable it to monitor and evaluate on an ongoing basis, in accordance with indicators acceptable to the Association the carrying out of the Project and the achievement of the objectives thereof;

(b) the Borrower shall, within eighteen (18) months after the Effectiveness Date but in any event not later than December 31, 2001, conduct, jointly with the UBOS

and the Association, a comprehensive review of the Project. Without limitation upon the generality of the foregoing, the review shall, inter alia, cover the implementation and management aspects of the Project, implementation procedures, progress made in the carrying out of the Project including the performance and use of technical assistance personnel, the role of national counterpart staff, the status and results of training, reporting, accounting and audit performance, disbursement procedures and the overall sustainability of the Project; and

(c) on the basis of the above review with the Association, take all measures required to ensure the efficient completion of the Project and the achievement of the objectives thereof, based on the conclusions and recommendations of the said review and the Association's views on the matter.

2. The Borrower shall take all measures necessary to establish, not later than sixty (60) days after the Effective Date, a Project Steering Committee (PSC) which shall be responsible for overall coordination and supervision of all Project components. PSC shall be chaired by the Permanent Secretary/Secretary to the Treasury in MoFPED and comprise the Permanent Secretary, Ministry of Local Government; the Permanent Secretary, Ministry of Public Service; the Auditor General; the Chairpersons of the Boards of UBOS and UMI; the Director, Budget, MoFPED; and the Project Coordinator as the Secretary to the PSC.

3. The Borrower shall continue to maintain, until the completion of the Project, a technical committee, which shall report to PSC, to be responsible for Project administration and to be chaired by the Borrower's Project Task Manager, and whose members shall comprise the managers of each component of the Project and such other members as the Task Manager may designate.

4. The Borrower shall ensure that: (a) a Project Task Manager, with qualifications satisfactory to the Association, shall be appointed and retained until the completion of the Project; and (b) duly qualified managers for each component are appointed and maintained until the completion of the Project.

5. The Borrower shall ensure that Project implementation is carried out in accordance with a comprehensive Project implementation manual, satisfactory to the Association, which shall include, for all Project components: (a) the specific tasks to be carried out including terms of reference, items to be procured and training needs; (b) procurement, consultancy and training procedures to be followed; (c) a breakdown of cost estimates; (d) implementation timetables; and (e) formats for quarterly and annual work plans and programs.

6. The Borrower shall ensure that each component manager, appointed pursuant to paragraph 4 above, prepares action plans for each financial year of the implementation of the relevant Project component. The action plans shall be periodically refined and, with effect from the second year of Project implementation, furnished to the Association in the form of annual work plans (including training plans) not later than the first day of April of the year preceding the financial year covered in the work plan.

7. In the carrying out of Part A of the Project, the Borrower shall take all measures necessary to complete, by not later than March 31, 2000, guidelines for new projects under the development budget in line with its development budget decentralization policy.

8. In the carrying out of Parts B and C of the Project, the Borrower shall, by not later than June 30, 2000, confirm the requirements for information systems and information technology on the basis of the recommendations of its on-going Fiscal Management Systems study, the Interim Strategy for UCS and the Information Strategy for UBOS.

9. The Borrower shall take all measures necessary to:

(a) adopt, by not later than May 31, 2000, a Public Service Pay Reform Strategy and commence to implement such strategy in FY 2000/2001;

(b) present to its Parliament, by not later than December 31, 2000; a bill revising its Public Finance Act of 1964 and an Audit bill; and (c) fully finance

UBOS' core program after the Closing Date.

SCHEDULE 5

Special Accounts

1. For the purposes of this Schedule:

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

(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 of: (i) \$1,600,000, in the Case of Special Account "A"; (ii) \$800,000 in the case of Special Account "B"; and (iii) \$200,000 in the case of Special Account "C", to be withdrawn from the Credit Account and deposited into the respective Special Account pursuant to paragraph 3 (a) of this Schedule, provided, however, that unless the Association shall otherwise agree, the Authorized Allocation for:

(i) Special Account "A" shall be limited to an amount equivalent to \$800,000 until the aggregate amount of withdrawals from the Credit Account allocated to Categories (2) (a) and (b), 3 (a) and (b) and (4) (a) and (b), plus the total amount of all outstanding special commitments entered into by the Association pursuant to Section 5.02 of the General Conditions for Parts A and B of the Project shall be equal to, or exceed, the equivalent of SDR 4,000,000;

(ii) Special Account "B" shall be limited to an amount of \$400,000 until the aggregate amount of withdrawals from the Credit Account allocated to Categories (1) (a), (2) (c), (3) (c) and (4) (c), plus the total amount of all outstanding special commitments entered into by the Association pursuant to Section 5.02 of the General Conditions for Part C of the Project shall be equal to or exceed the equivalent of SDR 1,500,000; and

(iii) Special Account "C" shall be limited to an amount equivalent to \$200,000.

2. Payments out of the respective Special Accounts 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 respective Special Account has been duly opened, withdrawals of the Authorized Allocation and subsequent withdrawals to replenish the respective 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 deposit into the respective Special Account of an amount or amounts 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 respective Special Account such amount or amounts as the Borrower shall have requested.

(b) (i) For replenishment of the respective Special Account, the Borrower shall furnish to the Association requests for deposits into the respective 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 respective 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 respective 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 respective 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 any 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;

(b) if the Borrower shall have failed to furnish to the Association, within the period of time specified in Section 4.01 (b) (ii) of this Agreement, any of the audit reports required to be furnished to the Association pursuant to said Section in respect of the audit of the records and accounts for the Special Account;

(c) if, at any time, the Association shall have notified the Borrower of its intention to suspend in whole or in part the right of the Borrower to make withdrawals from the Credit Account pursuant to the provisions of Section 6.02 of the General Conditions; or

(d) once the total unwithdrawn amount of the Credit allocated to the eligible Categories for the respective Special Account, minus the total amount of all outstanding special commitments entered into by the Association pursuant to Section 5.02 of the General Conditions with respect to the Parts of the Project related to that Special Account, shall equal the equivalent of twice the amount of the Authorized Allocation for that Special Account. Thereafter, withdrawal from the Credit Account of the remaining unwithdrawn amount of the Credit allocated to the eligible Categories for that Special Account 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 respective 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 any 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 respective 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 any 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 any 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 Accounts.

(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.

