

CONFORMED COPY

GRANT NUMBER TF020167 UG

Development Grant Agreement

(Education Sector Adjustment Operation)

between

THE REPUBLIC OF UGANDA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated April 15, 1998

GRANT NUMBER TF020167 UG

DEVELOPMENT GRANT AGREEMENT

AGREEMENT, dated April 15, 1998, between THE REPUBLIC OF UGANDA (the Recipient) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

WHEREAS (A) the Board of Executive Directors of the Association approved on April 22, 1997, the recommendation for assistance to be provided to the Recipient under the Heavily Indebted Poor Countries Debt Initiative in respect of debt owed by the Recipient to the Association;

(B) as part of such assistance, the Association was authorized to make to the Recipient the development grant set forth in Section 2.01 of this Agreement (the Grant);

(C) the Association has received a letter (the Letter of Development Policy) dated February 12, 1998, from the Recipient describing a program of actions, objectives and policies designed to achieve structural adjustment of the Recipient's education sector (hereinafter called the Program), declaring the Recipient's commitment to the execution of the Program, and requesting assistance from the Association in support of the Program during the execution thereof;

(D) the Recipient has also requested the Association to provide additional assistance in support of the Program, and by an agreement of even date herewith between the Recipient and the Association (the Development Credit Agreement), the Association is agreeing to provide a development credit to the Recipient in an aggregate principal amount equivalent to fifty-nine million two hundred thousand

Special Drawing Rights (SDR 59,200,000) (the Credit);

(E) the Recipient and the Association intend, to the extent practicable, that the proceeds of the Grant be disbursed before disbursements of the proceeds of the Credit are made; and

(F) on the basis, inter alia, of the foregoing, the Association has decided in support of the Program to provide such assistance to the Recipient by making the Grant in one tranche as hereinafter provided;

NOW THEREFORE the parties hereto hereby agree as follows:

#### ARTICLE I

##### General Conditions; Definitions

Section 1.01. (a) The following provisions of the "General Conditions Applicable to Development Credit Agreements of the Association", dated January 1, 1985, (as amended through December 2, 1997) with the modifications set forth in paragraph (b) of this Section (the General Conditions) constitute an integral part of this Agreement:

- (i) Article I;
- (ii) Sections 2.01 (1), (2), (3), (4), (5), (6) (7), (8), (9), (10), (12), (as modified below), (13) and (14), 2.02 and 2.03;
- (iii) Section 3.01;
- (iv) Sections 4.01 (as modified below) and 4.05;
- (v) Sections 5.01, 5.03 (as such sections are modified below), 5.05, 5.06 and 5.07;
- (vi) Sections 6.02 (as modified below), 6.03 and 6.06;
- (vii) Section 8.01 (b);
- (viii) Sections 9.01, 9.02, 9.03, 9.05, 9.06, (as modified below) 9.07 and 9.08;
- (ix) Article X;
- (x) Article XI; and
- (xi) Sections 12.01, 12.02, 12.03 and 12.04.

(b) The General Conditions shall be modified as follows:

(i) the terms "Borrower", "Credit", "Credit Account" and "Development Credit Agreement", wherever they appear in the General Conditions, are replaced by "the Recipient", "the Grant", "the Grant Account" and "the Development Grant Agreement", respectively;

(ii) the terms "development credit agreement" and "development credit", where used in Article I of the General Conditions, mean "development grant agreement" and "development grant", respectively;

(iii) Section 2.01, paragraph 12, is modified to read:

"(12) 'Project' means the program, referred to in the Preamble to the Development Grant Agreement, in support of which the Grant is made.";

(iv) Section 4.01 is modified to read:

"Except as the Recipient and the Association shall otherwise agree, withdrawals from the Grant Account shall be made in the currency of the deposit account specified in

Section 2.02 of the Development Grant

Agreement.";

(v) Section 5.01 is modified to read:

Grant from Development Grant "The Recipient shall be entitled to withdraw the proceeds of the the Grant Account in accordance with the provisions of the Agreement and of these General Conditions.";

(vi) The last sentence of Section 5.03 is deleted;

Agreement, (vii) In Section 6.02 (a), the phrase "(i) under the Development Credit or" is deleted;

(viii) Section 6.02 (c) (i) is modified to read:

or in part development credit Association or any loan failure by the Recipient to perform any such agreement; or"; and (c) (i) The Association or the Bank shall have suspended in whole the right of the Recipient to make withdrawals under any agreement or development grant agreement with the agreement with the Bank because of a of its obligations under

(ix) Section 9.06 (c) is modified to read:

later date as and the Association, the Association a report, of such scope Association shall reasonably request, on the program referred to in the Preamble to the Grant Agreement, the performance by the Recipient and the Association of their respective obligations under the Grant Agreement and the accomplishment of the purposes of the Grant."

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) "BOU" means the Bank of Uganda, the Borrower's central bank;

(b) "Deposit Account" means the account referred to in Section 2.02 (a) of this Agreement; and

(c) "LDP" means the Letter of Development Policy referred to in paragraph (A) of the Preamble to this Agreement.

## ARTICLE II

### The Grant

Section 2.01. The Association agrees to make available to the Recipient a development grant, on the conditions set forth or referred to in this Agreement, in an amount in various currencies equivalent to fifty-five million five hundred thousand Special Drawing Rights (SDR 55,500,000).

Section 2.02. (a) The Recipient shall open, prior to furnishing to the Association the first request for withdrawal from the Grant Account, and thereafter maintain in BOU, a deposit account in dollars on terms and conditions satisfactory to the Association. All withdrawals from the Grant Account shall be deposited by the Association into the Deposit Account.

(b) Subject to the provisions of paragraphs (c) and (d) of this Section, the Recipient shall be entitled to use the proceeds of the Grant withdrawn from the Grant Account and deposited into the Deposit Account in support of the Program.

(c) The Recipient undertakes that the proceeds of the Grant shall not be used

to finance expenditures excluded pursuant to the provisions of Schedule 1 to this Agreement. If the Association shall have determined at any time that any proceeds of the Grant shall have been used to make a payment for an expenditure so excluded, the Recipient shall, promptly upon notice from the Association, (i) deposit into the Deposit Account an amount equal to the amount of said payment, or (ii) if the Association shall so request, refund such amount to the Association. Amounts refunded to the Association upon such request shall be credited to the Grant Account for cancellation.

Section 2.03. The Closing Date shall be December 31, 2000, or such later date as the Association shall establish. The Association shall promptly notify the Recipient of such later date.

Section 2.04. BOU is designated as representative of the Recipient for the purposes of taking any action required or permitted to be taken under the provisions of Section 2.02 of this Agreement and Article V of the General Conditions.

### ARTICLE III

#### Particular Covenants

Section 3.01. (a) The Recipient and the Association shall from time to time, at the request of either party, exchange views on the progress achieved in carrying out the Program.

(b) Prior to each such exchange of views, the Recipient shall furnish to the Association for its review and comment a report on the progress achieved in carrying out the Program, in such detail as the Association shall reasonably request.

(c) Without limitation upon the provisions of paragraph (a) of this Section, the Recipient shall exchange views with the Association on any proposed action to be taken after the disbursement of the Grant which would have the effect of materially reversing the objectives of the Program, or any action taken under the Program.

Section 3.02. Upon the Association's request, the Recipient shall:

(a) have the Deposit Account audited in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the Association;

(b) furnish to the Association as soon as available, but in any case not later than four months after the date of the Association's request for such audit, 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

(c) furnish to the Association such other information concerning the Deposit Account and the audit thereof as the Association shall have reasonably requested.

### ARTICLE IV

#### Additional Event of Suspension

Section 4.01. Pursuant to Section 6.02 (1) of the General Conditions, the following additional event is specified, namely, that a situation has arisen which shall make it improbable that the Program, or a significant part thereof, will be carried out.

### ARTICLE V

#### Effective Date; Termination

Section 5.01. The following event is specified as an additional condition to the effectiveness of this Agreement within the meaning of Section 12.01 (b) of the General Conditions, namely, that all conditions precedent to the effectiveness of the Development Credit Agreement have been fulfilled, other than those related to the effectiveness of this Agreement.

Section 5.02. The date ninety (90) days after the date of this Agreement is hereby specified for the purposes of Section 12.04 of the General Conditions.

Section 5.03. This Agreement shall continue in effect until the parties to this Agreement have fulfilled all their obligations hereunder.

#### ARTICLE VI

##### Representative of the Recipient; Addresses

Section 6.01. Except as provided in Section 2.04 of this Agreement, the Minister of Finance of the Recipient is designated as the representative of the Recipient for the purposes of Section 11.03 of the General Conditions.

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

For the Recipient:

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

Cable address:

FINSEC  
Kampala

Telex:

61170

For the Association:

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

Cable address:

INDEVAS  
Washington, D.C.

Telex:

248423 (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 Sempala

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ James Addams

Acting Regional Vice President  
Africa

SCHEDULE 1

Excluded Expenditures

For purposes of Section 2.02 (c) of this Agreement, the proceeds of the Grant shall not be used to finance any of the following expenditures:

1. expenditures in the currency of the Recipient or for goods or services supplied from the territory of the Recipient;

2. expenditures for goods or services supplied under a contract which any national or international financing institution or agency other than the Association or the Bank shall have financed or agreed to finance, or which the Association or the Bank shall have financed or agreed to finance under another development grant, a development credit or a loan;

3. expenditures for goods included in the following groups or subgroups of the Standard International Trade Classification, Revision 3 (SITC, Rev.3), published by the United Nations in Statistical Papers, Series M, No. 34/Rev.3 (1986) (the SITC), or any successor groups or subgroups under future revisions to the SITC, as designated by the Association by notice to the Recipient:

Group	Subgroup	Description of Items
112	-	Alcoholic beverages
121	-	Tobacco, unmanufactured, tobacco refuse
122	-	Tobacco, manufactured (whether or not containing tobacco substitutes)
525	-	Radioactive and associated materials
667	-	Pearls, precious and semiprecious stones, unworked or worked
718	718.7	Nuclear reactors, and parts thereof; fuel elements (cartridges), non-irradiated, for nuclear reactors
728	728.43	Tobacco processing machinery
897	897.3	Jewelry of gold, silver or platinum group metals (except watches and watch cases) and goldsmiths' or silversmiths' wares (including set gems)
971	-	Gold, non-monetary (excluding gold ores and concentrates)

4. expenditures for goods intended for a military or paramilitary purpose or for

luxury consumption;

5. expenditures for environmentally hazardous goods (for purposes of this paragraph the term "environmentally hazardous goods" means goods, the manufacture, use or import of which is prohibited under the laws of the Recipient or international agreements to which the Recipient is a party, and any other goods designated as environmentally hazardous by agreement between the Recipient and the Association);

6. expenditures (a) in the territories of any country which is not a member of the Bank or for goods procured in, or services supplied from, such territories, or (b) on account of any payment to persons or entities, or any import of goods, if such payment or import is prohibited by a decision of the United Nations Security Council taken under Chapter VII of the Charter of the United Nations; and

7. expenditures under a contract in respect of which the Association determines that corrupt or fraudulent practices were engaged in by representatives of the Recipient or of a beneficiary of the Grant during the procurement or execution of such contract, without the Recipient having taken timely and appropriate action satisfactory to the Association to remedy the situation.

