

CONFORMED COPY

CREDIT NUMBER 2736 UG

Development Credit Agreement

(Institutional Capacity Building Project)

between

THE REPUBLIC OF UGANDA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated June 9, 1995

CREDIT NUMBER 2736 UG

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated June 9, 1995, between THE REPUBLIC OF UGANDA (the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

WHEREAS: (A) The Association has received a letter dated January 24, 1995 from the Borrower describing a program of actions, objectives and policies designed to establish greater indigenous institutional and human capacity to develop and implement public policy and support the growth of the private sector (hereinafter called the Program) and declaring the Borrower's commitment to the execution of the Program;

(B) the Borrower, having committed itself to the execution of the Program, and as part of the Program having undertaken to carry out the Project described in Schedule 2 to this Agreement, has requested the Association to assist in the financing of the Project;

(C) the Borrower has contracted from Danish International Development Assistance (DANIDA) a grant (the DANIDA Grant) in an amount equivalent to \$4,300,000 to assist in financing the Project on the terms and conditions set forth in an agreement (the DANIDA Grant Agreement) entered into between the Borrower and DANIDA on March 16, 1994; and

(D) Part D of the Project will be carried out by the Institute of Certified Public Accountants of Uganda (ICPAU)

with the Borrower's assistance and, as part of such assistance, the Borrower will make available to ICPAU a portion 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 ICPAU;

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) "MFEP" means the Borrower's Ministry of Finance and Economic Planning;

(b) "MJCA" means the Borrower's Ministry of Justice and Constitutional Affairs;

(c) "MLG" means the Borrower's Ministry of Local Government;

(d) "MPS" means the Borrower's Ministry of Public Service;

(e) "CBS" means the Capacity Building Secretariat within MFEP;

(f) "Project Preparation Advance" means the project preparation advance granted by the Association to the Borrower pursuant to an exchange of letters dated June 8, 1994 and June 17, 1994 between the Borrower and the Association;

(g) "Special Project Preparation Advance" means the project preparation advance granted by the Bank to the Borrower pursuant to an exchange of letters dated November 7, 1990, November 29, 1990, January 3, 1991, March 30, 1992, April 6, 1992 and May 15, 1992 between the Borrower and the Bank;

(h) "Special Account" means each of the accounts referred to in Section 2.02 (b) of this Agreement;

(i) "ICPAU" means Institute of Certified Public Accountants of Uganda established under the Accountants Statute of 1992;

(j) "Project Agreement" means the agreement between the Association and Institute of Certified Public Accountants of Uganda (ICPAU), 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;

(k) "Project Accounts" means the accounts to be opened and maintained pursuant to Section 3.01 (b) (ii) of this Agreement;

(l) "Implementation Manual" means the comprehensive manual for the implementation of all components of the Project referred to in paragraph 4 of Schedule 4 to this Agreement;

(m) "Local Government Statute" means the Borrower's Local Government (Resistance Councils) Statute of 1993;

(n) "Accountants' Statute" means the Borrower's Accountants Statute of 1992;

(o) "Subsidiary Grant Agreement" means the agreement to be entered into by the Borrower and ICPAU pursuant to Section 3.01 (b) of this Agreement; and

(p) "Policy on Legal Education" means the Borrower's policy statement on legal education in Uganda referred to in paragraph 8 (a) 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 five million Special Drawing Rights (SDR 25,000,000).

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 may, for the purposes of the Project, open and maintain in dollars two special deposit accounts (Special Account "A" for Parts A, C, D and E of the Project and Special Account "B" for Part B of the Project) in a commercial bank on terms and conditions satisfactory to the Association, including appropriate protection against setoff, seizure or attachment. Deposits into, and payments out of, the Special Accounts 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 and the Special 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 December 31, 2000 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 (60) 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 March 1 and September 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 semiannual installments payable on each March 1 and September 1 commencing September 1, 2005 and ending March 1, 2035. Each installment to and including the installment payable on March 1, 2014 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, B, C and E of the Project through MPS, MLG, MJCA and MFEP, respectively 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 the Development Credit Agreement, the Borrower shall cause ICPAU 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 ICPAU to perform such obligations, and shall not take or permit to be taken any action which would prevent or interfere with such performance.

(b) Without limitation to the provisions of paragraph (a) of this Section, the Borrower shall: (i) make available on a grant basis to ICPAU the proceeds of the Credit required for the carrying out of Part D of the Project, under an agreement to be entered into between the Borrower and ICPAU which shall have been approved by the Association, and (ii) open and maintain four Project accounts in a commercial bank into which it shall, after depositing the amounts referred to in Section 6.01 (a) of this Agreement, further deposit on a monthly basis, the amounts to be provided by the Borrower out of its own resources for the carrying out of Parts A, B, C and E of the Project, respectively.

(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, B, C and E of the Project in accordance with the Implementation Program set forth in Schedule 4 to this Agreement.

Section 3.02. Except as the Association shall otherwise agree, procurement of the goods, works and consultants' services required for Parts A, B, C and E of 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 D of the Project shall be carried out by ICPAU pursuant to Section 2.03 of the Project Agreement.

Section 3.04. (a) The Borrower shall, within eighteen months after the Effectiveness Date but in any event not later than December 31, 1996 conduct, jointly with the Association and ICPAU 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.

(b) Not later than thirty (30) days prior to the review referred to in (a) above, the Borrower shall furnish to the Association, for its comments, a report in such detail as the Association shall reasonably request, including an evaluation of the progress achieved in implementing the various components of the Project, and a draft plan containing proposals for remedying any identified deficiencies.

(c) The Borrower shall, promptly thereafter, (i) prepare

an action plan satisfactory to the Association based on the recommendations stemming from the aforementioned review, and (ii) adopt and implement such plan for the remainder of the Project period.

Section 3.05. Without limitation upon the provisions of Article IX of the General Conditions, the Borrower shall:

(a) prepare 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, of such scope and in such detail as the Association shall reasonably request, for sustaining the activities initiated under the Project;

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

(c) thereafter, carry out said plan with due diligence and efficiency and in accordance with appropriate practices, taking into account the Association's comments thereon.

ARTICLE IV

Financial Covenants

Section 4.01. (a) The Borrower shall maintain, or cause to be maintained, consolidated records and accounts adequate to reflect in accordance with sound accounting practices the operations, resources and expenditures in respect of Parts A, B, C and E 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 Accounts for each fiscal year audited, in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the Association;

(ii) furnish to the Association, as soon as available, but in any case not later than six months after the end of each such year, a certified copy of the report of such audit by said auditors, of such scope and in such detail (including a comprehensive financial and operational audit), 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 Accounts 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) A situation has arisen which shall make it improbable that the Program, or a significant part thereof will be carried out.

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

(c) 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 ICPAU will be able to perform its obligations under the Project Agreement.

(d) The Accountants' Statute shall have been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of ICPAU to perform any of its obligations under the Project Agreement.

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

(f) The Local Government Statute has been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the implementation of Part B of the Project.

(g) The Borrower's right to withdraw the proceeds of the DANIDA Grant shall have been suspended, cancelled or terminated in whole or in part, pursuant to the terms of the DANIDA Grant Agreement; provided, however, that the provisions of this paragraph shall not apply if the Borrower establishes to the satisfaction of the Association that the suspension, cancellation or termination is not caused by the failure of the Borrower to perform any of its obligations under the DANIDA Grant Agreement and that 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 event is specified namely that any event specified in paragraphs (d), (e) and (f) 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 the Development Credit Agreement within the meaning of Section 12.01 (b) of the General Conditions:

(a) the Borrower has deposited the Uganda Shillings equivalent of \$50,000 into the Project Accounts; and

(b) the Borrower has finalized and furnished to the Association: (i) a satisfactory Implementation Manual; and (ii) action plans for the carrying out of all Project components, other than Part D of the Project, during the first year of Project implementation.

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 ICPAU, and is legally binding upon ICPAU 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 Borrower's Minister 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:

P.O. Box 8147
Kampala
Uganda

Cable address:

FINSEC
Kampala

Telex:

61170

For the Association:

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

Cable address:

INDEVAS
Washington, D.C.

Telex:

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

IN WITNESS WHEREOF, the parties hereto, acting through their duly authorized representatives, have caused this Agreement to be signed in their respective names in the District of Columbia, United States of America, as of the day and year first above written.

THE REPUBLIC OF UGANDA

By /s/ Ahmed Ssenyomo

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) (a) Works	690,000	90%
(b) Goods	900,000	100% of foreign expenditures and 90% of local expenditures
(c) Consultants' services and training	2,150,000	100% of foreign expenditures and 95% of local expenditures
(d) Printing	120,000	50%
(e) (i) Project staff operating costs	80,000	20%
(ii) Other operating costs	50,000	20%
Part B of the Project		
(2) (a) Works	1,120,000	90%
(b) Goods	2,960,000	100% of foreign expenditures and 90% of local expenditures
(c) Consultants' services and training	4,510,000	100% of foreign expenditures and 95% of local expenditures
(d) (i) Project staff operating costs	40,000	20%
(ii) Other operating costs	30,000	20%
Part C of the Project		

(3) (a) For Part C(1), C(2)
and C(3) of the Project

(i) Goods	1,310,000	100% of foreign expenditures and 90% of local expenditures
(ii) Consultants' services and training	2,610,000	100% of foreign expenditures and 95% of local expenditures
(iii) Printing	260,000	50%
(iv) Project staff operating costs	50,000	20%
(v) Other operating costs	100,000	20%

(b) For Part C(4)(a)
of the Project

(i) Goods	250,000	100% of foreign expenditures and 90% of local expenditures
(ii) Consultants' services and training	125,000	100% of foreign expenditures and 95% of local expenditures

(c) For Part C(4)(b)
of the Project

(i) Goods	120,000	100% of foreign expenditures and 90% of local expenditures
(ii) Consultants' services and training	275,000	100% of foreign expenditures and 95% of local expenditures

Part D of the Project

(4) (a) Goods	50,000	100% of foreign expenditures and 90% of local expenditures
(b) Consultants' services and training	540,000	100% of foreign expenditures and 95% of local expenditures
(c) Printing	20,000	50%
(d) Other operating costs	20,000	20%

Part E of the Project

(5) (a) for Part E(1)
of the Project:

(i) Public Sector	1,650,000	90%
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Training		
(ii) Private Sector Training	340,000	50%
(b) for Part E(2) of the Project:		
(i) for training materials and books	160,000	50%
(ii) Equipment	40,000	25%
(iii) Consultants' services and training	240,000	90%
(c) for Part E(3) of the Project:		
Consultants' services and training	1,800,000	100%
(d) (i) Project staff operating costs		
	20,000	20%
(ii) other operating costs		
	40,000	20%

Category	Amount of the Credit Allocated (Expressed in SDR Equivalent)	% of Expenditures to be Financed
(6) Refunding of Project Preparation Advance	340,000	Amounts due pursuant to Section 2.02 (c) of this Agreement
(7) Refunding of Special Project Preparation Advance	130,000	Amounts due pursuant to Section 2.02 (c) of this Agreement
(8) Unallocated	1,860,000	
TOTAL	25,000,000 =====	

2. For the purposes of this Schedule:

(a) the term "foreign expenditures" means expenditures in the currency of any country other than that of the Borrower for goods or services supplied from the territory of any country other than that of the Borrower;

(b) the term "local expenditures" means expenditures in the currency of the Borrower or for goods or services supplied from the territory of the Borrower; and

(c) the terms "Project staff operating costs" and "other operating costs" mean, respectively, recurrent expenditures incurred for: (i) Project staff incremental salaries and allowances; and (ii) office supplies, office communications services, minor office equipment, utilities, fuel, maintenance and insurance of vehicles used for the Project.

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) expenditures under Category (3) (a), (3) (b) and (3) (c) unless the Borrower has furnished to the Association its Policy on Legal Education;

(c) expenditures under Category (5) (a) and (5) (b) unless CBS staff have demonstrated capability to implement the Training Funds component in Part E of the Project through: (i) participation in the preparation and implementation of at least two rounds of training under Part A or Part B of the Project; (ii) their satisfactory management of at least one round of training under Part C or Part D of the Project; and (iii) detailed guidelines of the Implementation Manual pertaining to the implementation of the Training Funds component in Part E of the Project have been reviewed and, if warranted by the review, amended in light of experience;

(d) expenditures under Category (3) (b) unless the Borrower furnishes to the Association the business plan referred to in paragraph 9 of Schedule 4 to this Agreement covering at least the first three years of operation of MJCA's Department of the Administrator General and Public Trustee;

(e) expenditures under Category (3) (c) unless the Borrower furnishes to the Association the business plan referred to in paragraph 9 of Schedule 4 to this Agreement covering at least the first three years of operation of MJCA's Department of the Registrar General;

(f) expenditures under Category (4) unless:

- (i) ICPAU has duly appointed its Secretary;
- (ii) the Council of ICPAU has furnished to the Association a business plan covering at least the first three years of operation; and
- (iii) the Borrower and ICPAU have concluded the Subsidiary Grant Agreement.

4. The Association may require withdrawals from the Credit Account to be made on the basis of statements of expenditure:

(a) for expenditures for works and goods contracts not exceeding \$50,000 equivalent;

(b) for expenditures for services under consultant contracts not exceeding: (i) \$50,000 equivalent for consulting firms, and (ii) \$30,000 equivalent for individuals; under such terms and conditions as the Association shall specify by notice to the Borrower.

5. The Association may require withdrawals from the Credit Account to be made on the basis of statements of expenditure for such expenditures and under such terms and conditions as the Association shall specify by notice to the Borrower.

SCHEDULE 2

Description of the Project

The objectives of the Project are to establish greater indigenous institutional and human capacity to develop and implement public policy and support the growth of the private sector through: (a) support for the continuation of civil service reform, (b) assistance to the Borrower's efforts to decentralize to local governments, and (c) strengthening of the legal and financial accountability framework and institutions and implementation skills.

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: Central Government Capacity Building

1. Continued support to the Borrower's ongoing Civil Service Reform Program through the carrying out of: (a) restructuring plans for various ministries, (b) systematic classification of personnel and (c) improvements to the central personnel management system.
2. Strengthening central personnel management and service delivery through the introduction of results oriented management and a performance recognition system.
3. Developing capabilities for facility, physical assets management and records management within the Central Government, through studies and the provision of training.

Part B: Local Government Capacity Building

Strengthening financial, personnel and records management structures, systems and procedures at the local government level through training, technical assistance, acquisition of equipment, vehicles and furniture, the carrying out of minor civil works and the preparation of accounts.

Part C: Legal Sector Reform

Strengthening the legal framework for private sector development through: (1) the consolidation of gazetted laws, the compilation and printing of court decisions and the implementation of a law reform program, (2) strengthening MJCA, the judiciary and other major institutions in the legal sector, through the provision of technical assistance, training and acquisition of equipment, (3) support for legal education through improvements and development of new curricula and local training institutions, and (4) the carrying out of pilot cost-recovery improvement programs in MJCA's Departments of: (a) the Administrator General and Public Trustee, and (b) the Registrar General.

Part D: Accountancy Profession

Strengthening the accountancy profession through support for: (a) the development of ICPAU, including the provision of technical assistance, training and equipment; (b) the establishment of a local professional qualification and examination capability, and (c) the introduction of local accounting and auditing standards.

Part E: Training Funds

1. Establishment and operation of a fund to finance public and private sector staff training in implementation skills, including management, computing, financial, accounting and legal skills.
2. Establishment and operation of a fund to finance: (a) the strengthening and upgrading of skills of trainers and staff in selected training institutions, and (b) the provision of training materials and equipment.
3. Training of public sector staff to assist the Borrower in implementing its economic recovery program.

* * *

The Project is expected to be completed by June 30, 2000.

SCHEDULE 3

Procurement and Consultants' Services

Section I. Procurement of Goods and Works

Part A: International Competitive Bidding

1. Except as provided in Part B 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 1992 (the Guidelines).

(a) When contract award is delayed beyond the original bid validity period, such period may be extended once, subject to and in accordance with the provisions of paragraph 2.59 of the Guidelines, by the minimum amount of time required to complete the evaluation, obtain necessary approvals and clearances and award the contract. The bid validity period may be extended a second time only if the bidding documents or the request for extension shall provide for appropriate adjustment of the bid price to reflect changes in the cost of inputs for the contract over the period of extension. Such an increase in the bid price shall not be taken into account in the bid evaluation. With respect to each contract made subject to the Association's prior review in accordance with the provisions of Part D.1(a) of this Section, the Association's prior approval will be required for: (i) a first extension of the bid validity period if the period of extension exceeds sixty (60) days, and (ii) any subsequent extension of the bid validity period.

(b) In the procurement of goods and works in accordance with this Part A, the Borrower shall use the relevant standard bidding documents issued by the Bank, with such modifications thereto as the Association shall have agreed to be necessary for the purposes of the Project. Where no relevant standard bidding documents have been issued by the Bank, the Borrower shall use bidding documents based on other internationally recognized standard forms agreed with the Association.

2. Goods procured under international competitive bidding procedures will not be subject to price verification under pre-shipment inspection.

Part B: Other Procurement Procedures

1. Items, or groups of items, of: (a) vehicles, equipment, furniture, and (b) printing of publications, estimated to cost the equivalent of \$100,000 or less per contract, up to an aggregate amount equivalent to \$550,000 and \$660,000, respectively, may be procured under contracts awarded on the basis of competitive bidding, advertised locally, in accordance with procedures satisfactory to the Association.

2. Civil works estimated to cost the equivalent of \$100,000 or less per contract up to an aggregate amount equivalent to \$1,370,000 may be procured under contracts awarded on the basis of competitive bidding, advertised locally, in accordance with procedures satisfactory to the Association.

3. Items, or groups of items, of: (a) goods and (b) printing of publications estimated to cost the equivalent of \$25,000 or less per contract, up to an aggregate amount equivalent to \$240,000 and \$740,000, respectively, may be procured under contracts awarded on the basis of comparison of price quotations obtained from at least three suppliers eligible under the Guidelines, in accordance with procedures acceptable to the Association.

Part C: 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 \$50,000 or more, the procedures set forth in paragraphs 2 and 4 of Appendix 1 to the Guidelines shall apply. Where payments for such contract are to be made out of the Special Account, such procedures shall be modified to ensure that the two conformed copies of the contract required to be furnished to the Association pursuant to said paragraph 2 (d) shall be furnished to the Association prior to the making of the first payment out of the Special Account in respect of such contract.

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

(c) The provisions of the preceding subparagraph (b) shall not apply to contracts on account of which withdrawals from the Credit Account are to be made on the basis of statements of expenditure.

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

Section II. Employment of Consultants

1. In order to assist the Borrower and ICPAU in carrying out the Project, the Borrower shall employ, and cause ICPAU to 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 (the Consultant Guidelines). For complex, time-based assignments, the Borrower shall employ such consultants under contracts using the standard form of contract for consultants' services issued by the Bank, with such modifications as shall have been agreed by the Association. Where no relevant standard contract documents have been issued by the Bank, the Borrower shall use other standard forms agreed with the Association.

2. Notwithstanding the provisions of paragraph 1 of this Section, the provisions of the Consultant Guidelines requiring prior Association review or approval of budgets, short lists, selection procedures, letters of invitation, proposals, evaluation reports and contracts shall not apply to: (a) contracts for the employment of consulting firms estimated to cost less than \$50,000 equivalent each; or (b) contracts for the employment of individuals estimated to cost less than \$30,000 equivalent each. However, this exception to prior Association review shall not apply to: (a) the terms of reference for such contracts; (b) single source selection of consulting firms; (c) assignments of a critical nature, as reasonably determined by the Association; (d) amendments to contracts for the employment of consulting firms raising the contract value to \$50,000 equivalent or above; or (e) amendments to contracts for the employment of individual consultants raising the contract value to \$30,000 equivalent or above.

Implementation Program

1. The Borrower shall, take all measures necessary to establish, not later than sixty 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 MFEP and comprise the Permanent Secretary of MLG, the Permanent Secretary/Solicitor General of MJCA, the Secretary to the Administrative Reform Commission and the President of ICPAU.

2. The Borrower shall continue to maintain 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. CBS shall provide full support to the technical committee.

3. The Borrower shall ensure that: (a) a Project Task Manager, whose qualifications shall at all times be satisfactory to the Association, shall be appointed and retained until the completion of Project implementation; and (b) MPS, MLG, MJCA and MFEP will carry out Parts A, B, C and E of the Project, respectively, and that duly qualified managers for each component are appointed and maintained until the completion of Project implementation. CBS shall be responsible for carrying out Part E of the Project.

4. 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.

5. The Borrower shall ensure that each component manager appointed pursuant to paragraph 3 above prepares action plans for 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.

6. In the carrying out of Part A of the Project the Borrower shall take all measures necessary to:

(a) implement a system for the annual measurement of its outputs and service delivery commencing from July 1, 1996;

(b) implement a revised salary structure commencing from July 1, 1996;

(c) issue and implement a Code of Conduct for all Civil Servants by July 1, 1996 and thereafter periodically monitor its implementation;

(d) introduce results oriented management into its budgeting procedures for use from the 1996/97 budget cycle; and

(e) introduce a facility management policy into its budgeting procedures for use from the 1997/98 budget cycle.

7. In the carrying out of Part B of the Project the Borrower shall take all measures necessary to:

(a) cause the preparation and auditing of local government accounts within the six-month time limit prescribed in the Local

Government Statute: (i) for twenty seven districts commencing on March 1, 1996; and (ii) for all districts commencing on March 1, 1997;

(b) computerize payrolls at the local government level by June 1, 1997: (i) through the consolidated processing of payrolls of all District Administration staff and staff formerly employed by the Central Government by Uganda Computer Services, on behalf of the districts, by July 1, 1995, and (ii) through decentralized processing of payrolls by the districts themselves commencing on July 1, 1996;

(c) carry out a study of the decentralization of the development budget to be completed by June 1, 1996 and the implementation of the decentralization of the development budget to commence in a phased manner by July 1, 1997;

(d) complete a study to determine the establishment of a district development fund by June 1, 1996 and the Borrower's position statement on the findings of the study by December 1, 1996;

(e) commence the operations of a vehicle loan scheme for local governments by January 1, 1996;

(f) implement an annual measurement of local governments' outputs and service delivery commencing from July 1, 1996; and

(g) introduce results oriented management into local government budgeting procedures for use from the 1996/97 budget cycle in a phased manner commencing with the first districts which have undergone financial decentralization.

8. In the carrying out of Part C of the Project the Borrower shall take all measures necessary to: (a) carry out a study with terms of reference satisfactory to the Association for a comprehensive review of the current policy on legal education and, based on the recommendations of the study, adopt a satisfactory policy on legal education;

(b) furnish to the Association, for its review and comments, a prioritized list of those laws identified for reform during the period of Project implementation and thereafter prepare the necessary draft laws, publish them in the form of bills and submit the bills, for the legislature's consideration, by not later than July 1, 1996; and

(c) compile and print court decisions in the form of law reports and ensure that the backlog of law reports is completed by not later than June 30, 1998.

9. In the carrying out of Part C (4) (a) and (b) of the Project, the Borrower shall by July 31, 1996, (a) take all measures necessary to carry out studies, with terms of reference satisfactory to the Association, to prepare business plans and to determine appropriate cost-recovery measures to be adopted by MJCA's Departments of the Administrator General and Public Trustee and the Registrar General, (b) furnish to the Association copies of such studies for its review and comments, and (c) adopt and cause these Departments to adopt and implement such business plans and cost recovery measures, as shall be satisfactory to the Association.

10. The Borrower shall take all measures necessary to carry out a special review of the training funds component in Part E of the Project not later than twelve months after the commencement of operations of the funds.

SCHEDULE 5

Special Account

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories (1), (3), (4) and (5) set forth in the table in paragraph 1 of Schedule 1 to this Agreement with respect to Special Account "A" and Category (2) set forth in the table in paragraph 1 of Schedule 1 to this Agreement with respect to Special Account "B";

(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 \$1,000,000 for Special Account "A" and an amount of \$500,000 for Special Account "B" to be withdrawn from the Credit Account and deposited into the Special Account pursuant to paragraph 3 (a) of this Schedule, provided, however, that unless the Association shall otherwise agree, the Authorized Allocation shall be limited to an amount equivalent to \$500,000 for Special Account "A" and \$250,000 for Special Account "B" until the aggregate amount of withdrawals from the Credit Account plus the total amount of all outstanding special commitments entered into by the Association pursuant to Section 5.02 of the General Conditions shall be equal to or exceed the equivalent of SDR 2,400,000 and SDR 800,000, respectively.

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.

