

CONFORMED COPY

CREDIT NUMBER 1951 UG

(Third Technical Assistance Project)

between

THE REPUBLIC OF UGANDA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated November 14, 1988

CREDIT NUMBER 1951 UG

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated November 14, 1988, between THE REPUBLIC OF UGANDA (the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

WHEREAS the Borrower, being satisfied of 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; and

WHEREAS the Association has agreed on the basis, inter alia, of the foregoing, to extend the Credit to the Borrower on the terms and conditions set forth in this Agreement;

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

General Conditions; Definitions

Section 1.01. The "General Conditions Applicable to Development Credit Agreements" of the Association, dated January 1, 1985, with the last sentence of Section 3.02 deleted (the General Conditions), constitute an integral part of this Agreement.

Section 1.02. Unless the context otherwise requires, the several terms defined in the General Conditions have the respective meanings therein set forth, and the following additional terms have the following meanings:

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

(b) "MPED" means the Borrower's Ministry of Planning and Economic Development;

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

(d) "MPSCA" means the Borrower's Ministry of Public Service and Cabinet Affairs;

(e) "BOU" means the Bank of Uganda, the Borrower's Central Bank; and

(f) "Project Preparation Advance" means the project preparation advance granted by the Association to the Borrower pursuant to an exchange of letters, dated February 3, 1988; April 13, 1988; and May 3, 1988, between the Borrower and the Association.

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 this Agreement, an amount in various currencies equivalent to thirteen million eight hundred thousand Special Drawing Rights (SDR 13,800,000).

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 (a) The amount of the Credit may be withdrawn from the Credit Account, in accordance with the provisions of Schedule 1 to this Agreement, for expenditures made (or, if the Association shall so agree, to be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 shall, for the purposes of the Project, open and maintain in dollars, through the Bank of Uganda, a special account in a commercial bank on terms and conditions satisfactory to the Association. Deposits into, and payments out of, the Special Account shall be made in accordance with the provisions of Schedule 5 to this Agreement.

(c) Promptly after the Effective Date, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and pay to itself the amount required to repay the principal amount of the Project Preparation Advance withdrawn and outstanding as of such date and to pay all unpaid charges thereon. The unwithdrawn balance of the authorized amount of the Project Preparation Advance shall thereupon be cancelled.

Section 2.03. The Closing Date shall be December 31, 1995, or such later date as the Association shall establish. The Association shall promptly notify the Borrower of such later date.

Section 2.04. (a) The Borrower shall pay to the Association a commitment charge on the principal amount of the Credit not withdrawn from time to time at a rate to be set by the Association as of June 30 of each year, but not to exceed the rate of one-half of one percent (1/2 of 1%) per annum.

- (b) The commitment charge shall accrue:
- (i) from a 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 cancelled;
 - (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 as of the next payment date in that year specified in Section 2.06 of this Agreement, except that the rate set as of June 30, 1988, shall be applied as of July 1, 1988.
- (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 February 15 and August 15 in each year.

Section 2.07. (a) Subject to paragraphs (b) and (c) below, the Borrower shall repay the principal amount of the Credit in semiannual installments payable on each February 15 and August 15 commencing February 15, 1999, and ending August 15, 2028. Each installment to and including the installment payable on August 15, 2008, 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 (5) 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, shall carry out the Project, through MPED, 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 the Project.

(b) Without limitation upon the provisions of paragraph (a) of this Section and, except as the Borrower and the Association shall otherwise agree, the Borrower shall carry out the Project in accordance with the Implementation Program set forth in Schedule 4 to this Agreement.

Section 3.02. Except as the Association shall otherwise agree, procurement of the goods and consultants' services, required for the Project and to be financed out of the proceeds of the Credit, shall be governed by the provisions of Schedule 3 to this Agreement.

Section 3.03. The Borrower shall continue to maintain the position of Project Coordinator within MPED and shall, at all times, ensure that such position is filled by a suitably qualified administrative officer whose terms of reference shall be satisfactory to the Association.

Section 3.04. The Borrower shall, no later than June 30 and December 31 of each year, submit to the Association semi-annual reports of Project performance.

Section 3.05. The Borrower shall, by July 31, 1989, submit evidence to the Association that the Borrower has secured the equivalent of not less than \$2,000,000 for the financing of Part E of the Project.

ARTICLE IV

Financial Covenants

Section 4.01. (a) The Borrower shall maintain or cause to be maintained records and accounts adequate to reflect, in accordance with sound accounting practices, the operations, resources and expenditures, in respect of the Project, of the departments or agencies of the Borrower responsible for carrying out the Project or any part thereof.

(b) The Borrower shall:

- (i) have the records and accounts referred to in paragraph (a) of this Section, including those for the Special Account 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, a certified copy of the report of such audit by said auditors of such scope and in such detail as the Association shall have reasonably requested; and
- (iii) furnish to the Association such other information concerning said records, accounts and the audit thereof as the Association shall from time to time reasonably request.

(c) For all expenditures with respect to which withdrawals from the Credit Account were made on the basis of statements of expenditure, the Borrower shall:

- (i) maintain or cause to be maintained, in accordance with paragraph (a) of this Section, records and accounts reflecting such expenditures;
- (ii) retain, until at least one year after the Association has received the audit for the fiscal year in which the last withdrawal from the Credit Account was made, all records (contracts, orders, invoices, bills, receipts and other documents) as evidence of 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

Termination

Section 5.01. The date ninety (90) days after the date of this Agreement is hereby specified for the purposes of Section 12.04 of the General Conditions.

ARTICLE VI

Representative of the Borrower; Addresses

Section 6.01. The Minister of Finance of the Borrower is designated as representative of the Borrower for the purposes of Section 11.03 of the General Conditions.

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

For the Borrower:

Ministry of Finance
P.O. Box 8147
Kampala
Uganda

Cable address:

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:

440098 (ITT)
248423 (RCA) or
64145 (WUI)

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

THE REPUBLIC OF UGANDA

By /s/ Stephen K. Katenta Apuuli
Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Edward V. K. Jaycox
Regional Vice President
Africa

SCHEDULE 1

Withdrawal of the Proceeds of the Credit

1. The table below sets forth the Categories of items to be financed out of the proceeds of the Credit, the allocation of the amounts of the Credit to each Category and the percentage of expenditures for items so to be financed in each Category:

| Category | Amount of the Credit Allocated (Expressed in SDR Equivalent) | % of Expenditures to be Financed |
|--|---|---|
| (1) Equipment, vehicles, materials and supplies: | | 100% of foreign expenditures and 80% of local expenditures |
| (a) Supplies Directorate and Central Tender Board | 150,000 | |
| (b) Financial Information System | 500,000 | |
| (c) Other | 230,000 | |
| (2) Training | 1,380,000 | 100% of foreign |

| Category | Amount of the Credit Allocated (Expressed in SDR Equivalent) | % of Expenditures to be Financed |
|--|---|--|
| | | expenditures and 80% of local expenditures |
| (3) Consultants' services: | | 100% |
| (a) Supplies Directorate and Central Tender Board | 1,700,000 | |
| (b) Financial Information System | 960,000 | |
| (c) Other | 4,810,000 | |
| (4) Operating and maintenance expenditures | 200,000 | 90% |
| (5) Resettlement of Expatriate Ugandans | 130,000 | 100% |
| (6) Staff allowances for: | | |
| (a) Economic Analysis Unit | 100,000 | 100% |
| (b) Other | 190,000 | 85% |
| (7) Refunding of Project Preparation Advance action 2.02 (c) | 470,000 | Amount due pursuant to S of this Agreement |
| (8) Unallocated | 2,980,000 | |
| TOTAL | 13,800,000 | |

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) "operating and maintenance expenditures" means expenditures for vehicles and office machinery purchased from the proceeds of the Credit.

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of payments made for:

(a) expenditures prior to the date of this Agreement;

(b) expenditures of the Supplies Directorate and the Central

Tender Board, under Categories (1) (a) and (3) (a), unless the Association is satisfied with:

- (i) the detailed work program of the Directorate, including the division of responsibilities between the Directorate and the Central Tender Board; and
 - (ii) the extent of centralization and the initial budget appropriated to the Directorate;
- (c) expenditures of the Financial Information System, under Categories (1) (b) and (3) (b), unless a requirements definition study for MOF and BOU has been completed; and
- (d) expenditures, under Category 6 (a), made after June 30, 1991.

SCHEDULE 2

Description of the Project

The objective of the Project is to assist the Borrower in carrying out a comprehensive and integrated public sector reform program required to implement its Economic Recovery Program.

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: Financial Information System

Establishment and institutionalization of data collection and analysis in MOF and BOU through:

- (1) studies and development of an information technology strategy, including guidance on a long-term computer procurement policy;
- (2) training, including seminars, courses, workshops and fellowships;
- (3) consultants' services;
- (4) acquisition and implementation of computer software packages, including custom-developed systems;
- (5) acquisition and installation of a mini-computer, including appropriate software, at BOU; and
- (6) improvement of memory, disk storage and telecommunication capabilities of MOF's computers, and acquisition of micro-computers and related software for the Borrower's sector ministries.

Part B: Budget Reform

Strengthening MOF's budgeting process through:

- (1) consultants' services and the acquisition of vehicles and office equipment; and
- (2) training, including development of training materials.

Part C: Rationalization of Procurement Functions

- (1) Strengthening the Central Tender Board through consultants' services, training, preparation of manuals and teaching materials on procurement, and acquisition of equipment and supplies.

- (2) Strengthening the Directorate of Supplies through consultants' services, training, studies, acquisition of telecommunication, micro-computer and office equipment, and vehicles.

Part D: Advisory Services for the Economic Recovery Program

Strengthening the ability of the Borrower's key ministries to implement the Borrower's Economic Recovery Program through:

- (1) consultants' services;
- (2) logistical and operational support to the Economic Analysis Unit of MOF;
- (3) recruitment of Expatriate Ugandans; and
- (4) acquisition of vehicles and office equipment, including computers.

Part E: Statistics Rehabilitation Program

Continuation of the Statistics Rehabilitation Program through consultants' services, training, equipment and logistical support.

Part F: Strengthening of the Agricultural Secretariat

Strengthening the policy formulation and planning capabilities of the Borrower's Agricultural Secretariat through experts' and consultants' services, studies and acquisition of vehicles, equipment and materials.

* * *

The Project is expected to be completed by June 30, 1995.

SCHEDULE 3

Procurement and Consultants' Services

Section I. Procurement of Goods

Part A: International Competitive Bidding

1. Except as provided in Part B hereof, goods shall be procured under contracts awarded in accordance with procedures consistent with those set forth in Sections I and II of the "Guidelines for Procurement under IBRD Loans and IDA Credits", published by the Bank in May 1985 (the Guidelines).

2. Furniture, equipment and vehicles shall be grouped together in bidding packages to the maximum extent practicable.

Part B: Other Procurement Procedures

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

2. Items or groups of items, estimated to cost less than the equivalent of \$20,000 per contract, up to an aggregate amount not exceeding the equivalent of \$400,000, may be procured under contracts awarded on the basis of comparison of price quotations from a list of at least three suppliers in accordance with procedures acceptable to the Association.

Part C: Review by the Association of Procurement Decisions

1. Review of invitations to bid, proposed awards and final contracts:

(a) With respect to each contract estimated to cost the equivalent of \$100,000 or more, the procedures set forth in paragraphs 2 and 4 of Appendix 1 to the Guidelines shall apply. Where payments for such contracts are to be made out of the Special Account, such procedures shall be modified to ensure that the two conformed copies of each such contract, required to be furnished to the Association pursuant to paragraph 2 (d) of Appendix 1 to the Guidelines, shall be furnished to the Association prior to the making of the first payment out of the Special Account in respect of such contracts.

(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 contracts are to be made out of the Special Account, such procedures shall be modified to ensure that the two conformed copies of each such contract, together with the other information required to be furnished to the Association pursuant to paragraph 3 of Appendix 1 to the Guidelines, 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 subparagraphs (a) and (b) shall not apply to contracts on account of which the Association has authorized withdrawals from the Credit Account on the basis of statements of expenditure. Such contracts shall be retained in accordance with Section 4.01 (c) (ii) of this Agreement.

Section II. Employment of Consultants

In order to assist the Borrower in carrying out the Project, the Borrower shall employ experts and consultants whose qualifications, experience, and terms and conditions of employment shall be satisfactory to the Association. Such consultants shall be selected in accordance with principles and procedures, satisfactory to the Association, on the basis of the "Guidelines for the Use of Consultants by World Bank Borrowers and by The World Bank as Executing Agency", published by the Bank in August 1981.

SCHEDULE 4

Implementation Program

1. The implementation and coordination of the Project shall be carried out by MPED through a Project Coordinator whose responsibilities will include:

(a) monitoring Project implementation and providing assistance to other agencies directly responsible for the implementation of Project activities, including assistance in:

- (i) procuring goods and services in accordance with applicable rules and regulations; and
- (ii) obtaining all necessary approvals for the prompt processing of withdrawals from the Credit; and

(b) compiling and submitting semiannual Project progress reports to the Association.

2. MOF shall appoint team leaders to coordinate each of MOF's responsibilities under Parts A, B, C and D.2 of the Project. The team leaders shall work in close collaboration with the Project Coordinator and submit semiannual progress reports on Project activities to him.

Part A of the Project

3. The team leader to be appointed by MOF to coordinate Project activities relating to the Financial Information System will also act as the Chairman of a Steering Committee representing the needs and interest of the major data users and suppliers.

Part D of the Project

4. The Borrower shall encourage those ministries identified as having the highest priority in the implementation of its Economic Recovery Program to hire consultants, preferably Ugandans, for periods of up to two (2) years to provide such ministries with special studies and advisory services.

5. The Borrower shall continue its efforts to attract the return of Expatriate Ugandans, capable of taking up positions of direct relevance to the Economic Recovery Program, by providing relocation grants to cover resettlement costs, travel costs and a lump-sum settling-in allowance not exceeding \$2,000 equivalent to each returnee.

6. Requests for financing under paragraphs 4 and 5 above shall be submitted for approval to a Review Committee, with the Permanent Secretary of MPED as Chairman, which shall include the Secretary to the Treasury, the Permanent Secretary of MPSCA, the Project Coordinator, and a representative of the requesting agency. All proposals supported by the Review Committee shall be submitted to the Association for its review and final approval.

SCHEDULE 5

Special Account

1. For the purposes of this Schedule:

(a) the term "Eligible Categories" means Categories (1) through (6) set forth in the table in paragraph 1 of Schedule 1 to this Agreement;

(b) the term "Eligible Expenditures" means expenditures in respect of the reasonable cost of goods and services required for the Project, and to be financed out of the proceeds of the Credit, allocated from time to time to the Eligible Categories in accordance with the provisions of Schedule 1 to this Agreement; and

(c) the term "Authorized Allocation" means an amount equivalent to \$700,000 to be withdrawn from the Credit Account and deposited into the Special Account pursuant to paragraph 3 (a) of this Schedule.

2. Except as the Association shall otherwise agree, 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 satisfactory evidence that the Special Account has been duly opened, withdrawals of the Authorized Allocation and subsequent withdrawals to replenish the Special Account may be made as follows:

(a) On the basis of a request or requests by the Borrower for a deposit or deposits which add up to the aggregate amount of the Authorized Allocation, 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) The Borrower shall furnish to the Association requests for replenishment of the Special Account at such intervals as the

Association shall specify. On the basis of such requests, the Association shall withdraw from the Credit Account and deposit into the Special Account such amounts as shall be required to replenish the Special Account with amounts not exceeding the amount of payments made 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 the evidence supporting the request for such deposits furnished pursuant to paragraph 4 of this Schedule.

4. For each payment made by the Borrower out of the Special Account for which the Borrower requests replenishment pursuant to paragraph 3 (b) of this Schedule, the Borrower shall furnish to the Association, prior to or at the time of such request, such documents and other evidence as the Association shall reasonably request, showing that such payment was made for Eligible Expenditures.

5. (a) Notwithstanding the provisions of paragraph 3 of this Schedule, no further deposit into the Special Account shall be made by the Association when either of the following situations first arises:

- (i) 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
- (ii) the total unwithdrawn amount of the Credit allocated to the Eligible Categories for the Project, minus 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 be equal to the equivalent of twice the amount of the Authorized Allocation.

(b) Thereafter, withdrawal from the Credit Account of the remaining unwithdrawn amount of the Credit allocated to the Eligible Categories for the Project, 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 any expenditure or in any 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 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. No further deposit by the Association into the Special Account shall be made until the Borrower has made such deposit or refund.

(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 for crediting to the
Credit Account.

