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**CREDIT NUMBER 4570 - UG**

# **Financing Agreement**

**(Post Primary Education and Training Project)**

**between**

**THE REPUBLIC OF UGANDA**

**and**

**INTERNATIONAL DEVELOPMENT ASSOCIATION**

**Dated August 27, 2009**

Public Disclosure Authorized



**CREDIT NUMBER 4570 - UG**

**FINANCING AGREEMENT**

AGREEMENT dated August 27, 2009, entered into between THE REPUBLIC OF UGANDA (“Recipient”) and INTERNATIONAL DEVELOPMENT ASSOCIATION (“Association”). The Recipient and the Association hereby agree as follows:

**ARTICLE I — GENERAL CONDITIONS; DEFINITIONS**

- 1.01. The General Conditions (as defined in the Appendix to this Agreement) constitute an integral part of this Agreement.
- 1.02. Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the General Conditions or in the Appendix to this Agreement.

**ARTICLE II — FINANCING**

- 2.01. The Association agrees to extend to the Recipient, on the terms and conditions set forth or referred to in this Agreement, a credit in an amount equivalent to ninety nine million Special Drawing Rights (SDR 99,000,000) (variously, “Credit” and “Financing”) to assist in financing the project described in Schedule 1 to this Agreement (“Project”).
- 2.02. The Recipient may withdraw the proceeds of the Financing in accordance with Section IV of Schedule 2 to this Agreement.
- 2.03. The Maximum Commitment Charge Rate payable by the Recipient on the Unwithdrawn Financing Balance shall be one-half of one percent (1/2 of 1%) per annum.
- 2.04. The Service Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to three-fourths of one percent (3/4 of 1%) per annum.
- 2.05. The Payment Dates are February 15 and August 15 in each year.
- 2.06. The principal amount of the Credit shall be repaid in accordance with the repayment schedule set forth in Schedule 3 to this Agreement.

- 2.07. The Payment Currency is Dollar.

**ARTICLE III — PROJECT**

- 3.01. The Recipient declares its commitment to the objectives of the Project and the Program. To this end, the Recipient shall carry out the Project in accordance with the provisions of Article IV of the General Conditions.
- 3.02. Without limitation upon the provisions of Section 3.01 of this Agreement, and except as the Recipient and the Association shall otherwise agree, the Recipient shall ensure that the Project is carried out in accordance with the provisions of Schedule 2 to this Agreement.

**ARTICLE IV — REMEDIES OF THE ASSOCIATION**

- 4.01. The Additional Event of Suspension shall be that a situation has arisen which shall make it improbable that the Program, or a significant part of it, will be carried out.

**ARTICLE V — EFFECTIVENESS; TERMINATION**

- 5.01. The Effectiveness Deadline is the date ninety (90) days after the date of this Agreement.
- 5.02. For purposes of Section 8.05 (b) of the General Conditions, the date on which the obligations of the Recipient under this Agreement (other than those providing for payment obligations) shall terminate is twenty years after the date of this Agreement.

**ARTICLE VI — REPRESENTATIVE; ADDRESSES**

6.01. The Recipient's Representative is the Minister responsible for finance.

6.02. The Recipient's Address is:

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

Cable:	Telex	Facsimile:
FINSEC	61170	256 41 4230163

6.03. The Association's Address is:

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

Cable:	Telex:	Facsimile:
INDEVAS Washington, D.C.	248423 (MCI)	1-202-477-6391

AGREED at Kampala, Republic of Uganda, as of the day and year first above written.

**THE REPUBLIC OF UGANDA**

**By /s/ Syda N. M. Bbumba**

**Authorized Representative**

**INTERNATIONAL DEVELOPMENT ASSOCIATION**

**By /s/ Kundhavi Kadiresan**

**Authorized Representative**

## **SCHEDULE 1**

### **Project Description**

The objectives of the Project are to support the Recipient's efforts to: (i) increase access to lower secondary education; (ii) improve the quality of lower secondary education; and (iii) enhance the enabling environment for post primary education and training.

The Project constitutes the first phase of the Program, and consists of the following parts:

#### **Part A:           Increasing Access to Lower Secondary Schools**

Supporting expansion of schools infrastructure, including the construction of classrooms, libraries, teacher housing, multi-purpose science rooms and related water and sanitation facilities, through the provision of works, technical advisory services and acquisition of goods.

#### **Part B:           Improving Quality of Lower Secondary Education**

1. Supporting curriculum, examination and assessment reform for lower secondary education, including associated teacher education.
2. Supporting the improvement of quality of lower secondary education, including pre-service teacher training, and expanding the capacity of at least one National Teachers' College.
3. Supporting the provision of in-service training for teachers, head teachers and schools' boards of governors, and relevant training for other education managers, to improve school management, accountability and pedagogical leadership.
4. Improving lower secondary schools curriculum, examinations and assessment, including: (a) developing a new curriculum for lower secondary education; and (b) assessing and monitoring educational progress, and designing instructional materials for the new curriculum.
5. Supporting improvement of classroom teaching, through the acquisition of goods, including textbooks, science equipment and other instructional materials.

#### **Part C:           Enhancing an Enabling Environment for Sustainable Post Primary Education and Training**

Supporting an enabling environment for post primary education and training, reforms, through the provision of technical advisory services and training, including:

- (a) developing and implementing an advocacy and communications strategy for post primary education and training reforms;
- (b) supporting training to targeted MoES staff to strengthen the capacity for management and operations;
- (c) strengthening the capacity of MoES for financial management and audit;
- (d) strengthening the capacity of MoES for national assessment and examination;
- (e) carrying out studies including, *inter alia*, preparatory studies for skills development, support to private schools, double shifting, and effectiveness of school based procurement;
- (f) developing a strategy for the reorientation and expansion of technical vocational education and training, and upper secondary education; and
- (f) supporting an external review of the Program.



## SCHEDULE 2

### Project Execution

#### Section I. Implementation Arrangements

##### A. Institutional Arrangements.

##### 1. MoES

The Recipient shall ensure that the MoES is maintained at all times during the implementation of the Project with mandate, staffing and resources satisfactory to the Association for the purpose of ensuring the prompt and efficient overall coordination, monitoring, reporting, evaluation and communication of Project activities.

##### 2. Education Sector Consultative Committee

- (a) Without limitation upon the provisions of paragraph A.1 of this Section, the Recipient shall maintain, at all times until the completion of the Project, the Education Sector Consultative Committee with a composition, mandate and resources satisfactory to the Association.
- (b) Without limitation to sub-paragraph (a) of this paragraph, the Education Sector Consultative Committee shall be responsible for, *inter alia*: (i) reviewing progress made towards achieving the Project's objectives, and making recommendations for removal of any obstacles to the timely implementation of the Project; (ii) reviewing consolidated Annual Work Plans and Budgets; and (iii) providing comments on reports and reviews prepared by the respective Implementing Agencies for the benefit of the Association.

##### 3. Joint Annual Sector Review

- (a) The Recipient shall: (i) ensure that the Joint Annual Sector Review, is conducted not later than March 30 of each year to review the Annual Work Plans and Budgets prior to their review by the Education Sector Consultative Committee; (ii) prior to each Joint Annual Sector Review, prepare and submit the annual progress report of the Program and Project for discussion by the Joint Annual Sector Review; and (iii) take the required action to remedy any issues identified during the Joint Annual Sector Review.
- (b) Without limitation to sub-paragraph (a) of this paragraph, the Joint Annual Sector Review shall, *inter alia*, address the following: (i) monitoring the overall strategic direction of the education sector, and

assessing alignment with and progress towards national goals; (ii) reviewing annual budgets and expenditures and advising MoES on the sustainability of the education sector; (iii) reviewing Program progress and verifying that the Project objectives are being met; (iv) advising MoES on the proper implementation of the Project to ensure that eventual issues transcending MoES' responsibilities arising during implementation are addressed and resolved in a timely manner; and (v) advising MoES on other priority issues related to the education sector's management and financing.

## **B. Implementation Arrangements**

### 1. Project Implementation Plan

The Recipient shall carry out the Project in accordance with the arrangements, procedures and guidelines set out in the Project Implementation Plan (provided, however, that in case of any conflict between the arrangements and procedures set out in the Project Implementation Plan and the provisions of this Agreement, the provisions of this Agreement shall prevail) and, except as the Association shall otherwise agree in writing, shall not amend, abrogate or waive any provision of the Project Implementation Plan, if such amendment, abrogation or waiver may, in the opinion of the Association, materially or adversely affect the implementation of the Project.

### 2. Annual Work Plans and Budgets

- (a) The Recipient shall prepare and furnish to Association for its approval, not later than February 28 (or as the case may be, February 29) of each year during the implementation of the Project, or such later date as the Association may agree, the Annual Work Plans and Budgets containing all proposed activities to be carried out in the following Fiscal Year, modified in a manner satisfactory to the Association, taking into account the Association's comments and views on the matter.
- (b) The Recipient shall cause each activity Implementing Agency to implement, monitor and evaluate its respective activity in accordance with the provisions set forth in this Agreement and in more detail in the Project Implementation Plan, and the respective MoES guidelines to the schools, and shall not make or allow to be made any material change to any activity included in the approved Annual Work Plans and Budgets without prior consultation with and approval of the Association.
- (c) The Recipient shall prepare and furnish to Association not later than February 28 (or as the case may be, February 29) of each year during the implementation of the Project, or such later date as the Association may

agree, a report acceptable to the Association, describing among other matters: (a) the achievements in the implementation of the Annual Work Plans and Budgets for the preceding year; (b) compliance with the performance indicators referred to in Section II.A.1(b) of this Schedule for the Project; and (c) a detailed draft budget allocations for the following year.

**C. Anti-Corruption**

The Recipient shall ensure that the Project is carried out in accordance with the provisions of the Anti-Corruption Guidelines.

**D. Environmental and Social Safeguards**

1. The Recipient shall carry out the Project in accordance with the environmental, social and resettlement guidelines, rules and procedures defined in the Environmental and Social Management Framework and the Resettlement Policy Framework and, wherever applicable:
  - (a) prepare, disclose and implement Environmental and Social Management Plans in accordance with the ESMF and in form and substance acceptable to the Association, defining (i) the measures to be taken during the implementation of the relevant activities to eliminate or offset adverse environmental or social impacts, or to reduce them to acceptable levels, and (ii) the actions needed to implement these measures; and
  - (b) prepare, disclose and implement Resettlement Action Plans in accordance with the RPF and in form and substance acceptable to the Association, defining a program of actions, measures and policies for compensation and resettlement of Affected Persons, including the magnitude of displacement, proposed compensation and resettlement arrangements, budget and cost estimates, and sources of funding, together with adequate institutional, monitoring and reporting arrangements capable of ensuring proper implementation of, and regular feedback on compliance with, the RAPS.
2. The Recipient shall not amend or waive, or permit to be waived, the ESMF, RPF ESMPs and RAPS, or any provision of any one thereof, without the prior written consent of the Association.
3. The Recipient shall ensure that: (i) all measures for carrying out the recommendations of the ESMF, RPF, ESMPs and RAPS are taken in a timely

manner; and (ii) the Project Reports referred to in Section II.A of this Schedule shall include adequate information on monitoring the measures defined in the ESMF, RPF, ESMPs and RAPs.

## **Section II. Project Monitoring, Reporting and Evaluation**

### **A. Project Reports**

1. (a) The Recipient shall monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 4.08 of the General Conditions and on the basis of the indicators set forth below in sub-paragraph (b) of this paragraph. Each Project Report shall cover the period of six calendar months, and shall be furnished to the Association not later than one month after the end of the period covered by such report.
- (b) The performance indicators referred to above in sub-paragraph (a) consist of the following:
  - (i) average national gross enrolment ratio for lower secondary education disaggregated by gender;
  - (ii) average gross enrolment ratio for lower secondary education for the 10 districts with the lowest gross enrolment ratio;
  - (iii) percentage of students who sit for the primary (school) leaving examination entering the first year of secondary school (Senior 1);
  - (iv) lower secondary education student to classroom ratio;
  - (v) lower secondary education student to teacher ratio; and
  - (vi) lower secondary education student to text book ratio for seven (7) core subjects.
2. For the purpose of Section 4.08 (c) of the General Conditions, the report on the execution of the Project and related plan required pursuant to that Section shall be furnished to the Association not later than the date eighteen (18) months after the Effective Date.

### **B. Financial Management, Financial Reports and Audits**

1. The Recipient shall maintain or cause to be maintained a financial management system in accordance with the provisions of Section 4.09 of the General Conditions.
2. Without limitation on the provisions of Part A of this Section, the Recipient shall prepare and furnish to the Association, not later than forty-five (45) days after the end of each calendar quarter, interim unaudited financial reports for the Project covering the quarter, in form and substance satisfactory to the Association.
3. The Recipient shall have its Financial Statements audited in accordance with the provisions of Section 4.09 (b) of the General Conditions. Each audit of the Financial Statements shall cover the period of one fiscal year of the Recipient, commencing with the fiscal year in which the first withdrawal under the Project Preparation Advance was made. The audited Financial Statements for each such period shall be furnished to the Association not later than six months after the end of such period.

### **Section III. Procurement**

#### **A. General**

1. **Goods and Works.** All goods and works required for the Project and to be financed out of the proceeds of the Financing shall be procured in accordance with the requirements set forth or referred to in Section I of the Procurement Guidelines, and with the provisions of this Section.
2. **Consultants' Services.** All consultants' services required for the Project and to be financed out of the proceeds of the Financing shall be procured in accordance with the requirements set forth or referred to in Sections I and IV of the Consultant Guidelines, and with the provisions of this Section.
3. **Definitions.** The capitalized terms used below in this Section to describe particular procurement methods or methods of review by the Association of particular contracts, refer to the corresponding method described in the Procurement Guidelines, or Consultant Guidelines, as the case may be.

#### **B. Particular Methods of Procurement of Goods and Works**

1. **International Competitive Bidding.** Except as otherwise provided in paragraph 2 below, goods and works shall be procured under contracts awarded on the basis of International Competitive Bidding (ICB).
2. **Other Methods of Procurement of Goods and Works.** The following methods of procurement, other than International Competitive Bidding, may be used for goods and works under the circumstances specified in the Procurement Plan for

each such method: (a) National Competitive Bidding; (b) Shopping; and (c) Direct contracting.

**C. Particular Methods of Procurement of Consultants' Services**

1. **Quality- and Cost-based Selection.** Except as otherwise provided in paragraph 2 below, consultants' services shall be procured under contracts awarded on the basis of Quality and Cost-based Selection.
2. **Other Methods of Procurement of Consultants' Services.** The following methods of procurement, other than Quality and Cost-based Selection, may be used for consultants' services under the circumstances specified in the Procurement Plan for each such method: (a) Quality Based Selection; (b) Least Cost Selection; (c) Selection Based on Consultants' Qualifications; (d) Procedures set forth in paragraphs 5.2 and 5.3 of the Consultant Guidelines for the Selection of Individual Consultants; (e) Single Source Selection; and (f) Sole Source Procedures for the Selection of Individual Consultants.

**D. Review by the Association of Procurement Decisions**

1. The Procurement Plan shall set forth those contracts which shall be subject to the World Bank Prior Review.
2. All other contracts shall be subject to Post Review by the Association.

**Section IV. Withdrawal of the Proceeds of the Financing**

**A. General**

1. The Recipient may withdraw the proceeds of the Financing in accordance with the provisions of Article II of the General Conditions, this Section, and such additional instructions as the Association shall specify by notice to the Recipient (including the "World Bank Disbursement Guidelines for Projects" dated May 2006, as revised from time to time by the Association and as made applicable to this Agreement pursuant to such instructions), to finance Eligible Expenditures as set forth in the table in paragraph 2 below.
2. The following table specifies the categories of Eligible Expenditures that may be financed out of the proceeds of the Financing ("Category"), the allocations of the amounts of the Financing to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category:

<b>Category</b>	<b>Amount of the Financing Allocated (expressed in SDR)</b>	<b>Percentage of Expenditures to be Financed (inclusive of Taxes)</b>
(1) Works	60,000,000	100%
(2) Goods and equipment	24,400,000	100%
(3) Consultants' services and Training	11,600,000	100%
(4) Unallocated	3,000,000	
<b>TOTAL AMOUNT</b>	<b>99,000,000</b>	

**B. Withdrawal Conditions; Withdrawal Period**

1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made for payments made prior to the date of this Agreement.
2. The Closing Date is July 31, 2012.

**Section V. Other Undertakings**

**A. Procurement Audits**

1. The Recipient shall, not later than six months after the Effective Date, put in place arrangements, satisfactory to the Association, including the appointment of independent procurement auditors acceptable to the Association, under terms of reference satisfactory to the Association, in accordance with the provisions of Section III of this Schedule, for reviewing the procurement of goods, works and consultants' services financed under the Project, including the reviewing of procurement procedures and processes.
2. The Recipient shall, not later than six months after the end of each Fiscal Year, or such later date as the Association may agree, furnish to the Association an audit report on the procurement of goods, works and consultants' services carried out under the Project, prepared by the independent procurement auditors referred to in paragraph A.2 of this Section.

**SCHEDULE 3****Repayment Schedule**

<b>Date Payment Due</b>	<b>Principal Amount of the Credit repayable (expressed as a percentage)*</b>
On each February 15 and August 15:	
commencing August 15, 2019 to and including February 15, 2029	<b>1%</b>
commencing August 15, 2029 to and including February 15, 2049	<b>2%</b>

\* The percentages represent the percentage of the principal amount of the Credit to be repaid, except as the Association may otherwise specify pursuant to Section 3.03 (b) of the General Conditions.



**APPENDIX****Definitions**

1. “Affected Persons” means persons who, on account of the execution of the Project had or would have their: (i) standard of living adversely affected; or (ii) right, title, interest in any house, land (including premises, agricultural and grazing land) or any other fixed or movable asset acquired or possessed, temporarily or permanently; (iii) access to productive assets adversely affected, temporarily or permanently; or (iv) business, occupation, work or place of residence or habitat adversely affected.
2. “Annual Work Plan and Budget” means the work plan and budget for the Project prepared annually by the MoES and each of the Implementing Agencies (as hereinafter defined), and consolidated by the MoES, in accordance with Section I.B.2 of Schedule 2 to this Agreement.
3. “Anti-Corruption Guidelines” means the “Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants”, dated October 15, 2006.
4. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.
5. “Consultant Guidelines” means the “Guidelines: Selection and Employment of Consultants by World Bank Borrowers” published by the Bank in May 2004 and revised in October 2006.
6. “Education Sector Consultative Committee” means the committee referred to in Section I.A.2 of Schedule 2 to this Agreement, established by the Recipient in 1998, as a technical advisory forum for the sector wide approach for the education sector.
7. “Environmental and Social Management Framework” or “ESMF” means the document of the Recipient dated July 2008, as the said document may be amended and/or supplemented from time to time with the prior concurrence of the Association, setting forth the modalities for environmental screening and procedures for the preparation and implementation of environmental assessments and management plans under the Project pursuant to Section I.D.2 of Schedule 2 to this Agreement.
8. “Environmental and Social Management Plan” or “ESMP” means the Recipient’s document prepared in accordance with the Environmental and Social Management Framework with respect to construction and development of schools infrastructure activities under the Project, that details (i) the measures to be taken during the

implementation and operation of construction and development of schools infrastructure activities to eliminate or offset adverse environmental or social impacts, or to reduce them to acceptable levels, and (ii) the actions needed to implement these measures.

9. “Fiscal Year” means the Recipient’s fiscal year commencing July 1 and ending June 30 of each year.
10. “General Conditions” means the “International Development Association General Conditions for Credits and Grants”, dated July 1, 2005 (as amended through October 15, 2006).
11. “Joint Annual Sector Review” means the education sector stakeholder forum established in 1999, to review the sector progress, and to identify challenges and priorities.
12. “Implementing Agency” means a department, a school, or an institution other than MoES, which has responsibility for implementing an activity under the Project.
13. “MoES” means Ministry of Education and Sports, the Recipient’s Ministry responsible for education.
14. “National Teachers’ College” means an accredited institution for training and instruction of the school teachers, pursuant to the Universities and Tertiary Institutions Act No. 7 of 2001 of the laws of the Recipient.
15. “Procurement Guidelines” means the “Guidelines: Procurement under IBRD Loans and IDA Credits” published by the Bank in May 2004 and revised in October, 2006.
16. “Procurement Plan” means the Recipient’s procurement plan for the Project, dated February 4, 2009, and referred to in paragraph 1.16 of the Procurement Guidelines and paragraph 1.24 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of the said paragraphs.
17. “Program” means the program designed to improve access to, and quality of the Recipient’s lower secondary education system, and set forth or referred to in the letter dated January 30, 2009, from the Recipient to the Association.
18. “Project Implementation Plan” or “PIP” means the Recipient’s plan, adopted pursuant to Section I.B.1 of Schedule 2 to this Agreement, containing or referring to detailed arrangements and procedures for implementation of the Project, including: (i) institutional coordination and day-to-day execution of the Project; (ii) disbursement and financial management; (iii) procurement; (iv) monitoring,

evaluation, and reporting; (v) procedures, measure and guidelines for environmental management and implementation of the ESMF and the RPF; and (vi) such other administrative, financial, technical and organizational arrangements and procedures as shall be required for the Project , as such plan may be amended by the Recipient from time to time with the prior agreement of the Association.

19. “Resettlement Action Plan” or “RAP” means the plan referred to in Section I.D.2 (a) of Schedule 2 to this Agreement; and “RAPs” means, collectively, each such RAP.
20. “Resettlement Policy Framework” or “RPF” means the Resettlement Policy Framework of the Recipient dated July 2008, as the said framework may be amended and/or supplemented from time to time with the prior concurrence of the Association, setting forth the modalities for resettlement and compensation of Affected Persons under the Project and referred to in Section I.D.2 of Schedule 2 to this Agreement, as the same may be amended from time to time with the agreement of the Association.
21. “Training” means the costs associated with the training of personnel involved in Project supported activities, based on annual budgets approved by the Association pursuant to Section III.D.1 of Schedule 2 to this Agreement, including travel and subsistence costs for training participants, costs associated with securing the services of trainers, rental of training facilities, preparation and reproduction of training materials, and other costs directly related to course preparation and implementation.