CREDIT NUMBER 5127-UG

Financing Agreement

(Water Management and Development Project)

between

REPUBLIC OF UGANDA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated MAY 22, 2013
CREDIT NUMBER 5127-UG

FINANCING AGREEMENT

AGREEMENT dated MAY 22, 2013, entered into between 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 eighty seven million one hundred thousand Special Drawing Rights (SDR 87,100,000) (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 The Service Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to three-fourths of one percent (3/4 of 1%) per annum.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 August 15 and February 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. To this end, the Recipient shall carry out Parts 1, 2(b), 3(a) and 3(b) of the Project through the Ministry of Water and Environment (“MWE”) and cause the Project Implementing Entity to carry out Parts 2(a) and 3(c) of the Project, all in accordance with the provisions of Article IV of the General Conditions and the Project Agreement.

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 Events of Suspension consist of the following:

(a) the National Water Sewerage Corporation (“NWSC”) Act has been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of the Project Implementing Entity to perform any of its obligations under the Project Agreement;

(b) the Water Act has been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of the Recipient to perform any of its obligations arising under this Agreement; and

(c) the Local Governments Act has been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of any of the Local Governments to perform any of their respective obligations arising under or entered into pursuant to this Agreement.

4.02. The Additional Events of Acceleration consist of the following, namely, that any of the events specified in paragraphs (a), (b) and (c) of Section 4.01 of this Agreement occurs.

ARTICLE V — EFFECTIVENESS; TERMINATION

5.01. The Additional Conditions of Effectiveness consist of the following:

(a) the Subsidiary Agreement, in form and substance satisfactory to the Association, has been executed on behalf of the Recipient and the Project Implementing Entity; and
the Recipient has prepared and adopted the Project Implementation Manual, in accordance with the provisions of Section I.C of Schedule 2 to this Agreement.

5.02. The Additional Legal Matter consists of the following, namely, that the Subsidiary Agreement has been duly authorized or ratified by the Recipient and by the Project Implementing Entity, and is legally binding upon the Recipient and the Project Implementing Entity, in accordance with its terms.

5.03. The Effectiveness Deadline is the date ninety (90) days after the date of this Agreement.

5.04. 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 (20) years after the date of this Agreement.

ARTICLE VI—REPRESENTATIVE; ADDRESSES

6.01. The Recipient’s Representative is its minister responsible for finance.

6.02. The Recipient’s Address is:

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

Telex          Facsimile
256-414-707000  256-414-260163

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         248423 (MCI)    1-202-477-6391
Washington, D.C.
AGREED at KAMPALA, UGANDA, as of the day and year first above written.

REPUBLIC OF UGANDA

By

Name: 

Title: MINISTER

INTERNATIONAL DEVELOPMENT ASSOCIATION

By

Name: Ahmadou Kouyaté Ndour

Title: Country Manager
SCHEDULE 1

Project Description

The objectives of the Project are to improve: (i) integrated water resources planning, management and development; and (ii) access to water and sanitation services in priority urban areas.

The Project consists of the following Parts:

Part 1: Investment in Integrated Water Resources Development and Management

(a) Carrying out of a program of activities for the identification, preparation and implementation of priority infrastructure and water resources management development projects in Participating Water Management Zones ("Participating WMZs"), said program to consist of: (i) a program to strengthen the technical and institutional capacities of newly established WMZ institutions for: (A) preparing WMZ strategies; (B) carrying out participatory water resources planning in each WMZ, including, inter alia, stakeholder identification, analysis and consultation as well as establishment of catchment management organizations in priority catchments with a view to preparing integrated catchment action plans ("Plans"); (C) carrying out environmental and social due diligence for said Plans through integrated participatory planning processes; and (D) implementing other water resources management activities included in said Plans; and (ii) implementation of specific priority development projects ("Subprojects") (and associated Safeguard Instruments) elaborated in said Plans, all through provision of technical advisory services, goods, works, non-consulting services, Training and Operating Costs.

(b) Carrying out of a program of activities to strengthen and expand the national water resources monitoring and information system, said program to consist of: (i) enhancing the water quality and pollution monitoring network by establishing new water quality monitoring stations; (ii) enhancing the network for hydro-meteorological, surface and groundwater monitoring, by: (A) upgrading existing surface water stations with data loggers; (B) establishing new water stations equipped with automated sensors and real time telemetry; (C) upgrading groundwater monitoring wells and installing water level meters and related data loggers; and (D) establishing new weather stations for climate monitoring; (iii) improving real time data transfer from MWE’s water resources and climate monitoring network; (iv) strengthening the technical capacities of water quality laboratories to provide back up
support to regional and satellite laboratories, quality assurance and advanced analysis; and (v) establishing a comprehensive water information system at national and regional levels, including, carrying out a detailed study on design of said system and implementing recommendations of said study, all through provision of technical advisory services, goods, works, non-consulting services, Training and Operating Costs.

(c) Implementation of priority activities elaborated in the Kalagala Offset Sustainable Management Plan ("KOSMP") namely: (i) implementation of an integrated approach to afforestation and reforestation (and associated Safeguard Instruments), including, *inter alia*, restoration of native vegetation, conservation of habitats, and restoration and protection of riverbanks; (ii) implementation of environmentally sustainable livelihoods (and associated Safeguard Instruments); and (iii) strengthening the technical and institutional capacities of MWE and National Forestry Authority ("NFA") for implementing the KOSMP, all through provision of technical advisory services, goods, non-consulting services, Training and Operating Costs.

Part 2. **Infrastructure Investments in Urban Water Supply and Sanitation/Sewerage and Catchment/Source Protection**

(a) Carrying out of specific development projects to construct, rehabilitate and expand existing urban water supply and sanitation/sewerage infrastructure ("Subprojects") in priority Local Governments within the jurisdiction of the Project Implementing Entity, said Subprojects to include, *inter alia*: (i) developing and implementing water source protection and management plans; (ii) undertaking new or updating existing feasibility studies and associated environmental and social due diligence, as the case may be, for said Subprojects; and (iii) preparing detailed engineering designs and tender documents for said Subprojects, and provision of goods required for the purpose.

(b) Carrying out of specific development projects to construct, rehabilitate and expand existing urban water supply and sanitation/sewerage infrastructure ("Subprojects") in priority Local Governments within the jurisdiction of the MWE, including, *inter alia*: (i) developing and implementing water source protection and management plans; (ii) undertaking new or updating existing feasibility studies and associated environmental and social due diligence, as the case may be, for said Subprojects; and (iii) preparing detailed engineering designs and tender documents for said Subprojects, and provision of goods required for the purpose.
Part 3. Strengthening Institutions for Effective Project Implementation

(a) Strengthening the capacity of the Water Sector Liaison Division ("WSLD") for overall coordination and communication of Project activities and for provision of technical support to the Directorate of Water Resources Management ("DWRM"), Directorate of Water Development ("DWD"), Directorate of Environmental Affairs ("DEA") and NWSC, all through provision of technical advisory services, goods, non-consulting services, Training and Operating Costs.

(b) Strengthening the capacity of the MWE, in particular, the DWRM, DWD and DEA, for day to day implementation, coordination and management of activities (including procurement, financial management, environmental and social safeguards, monitoring and evaluation, supervision and reporting aspects) under the Project, all through provision of technical advisory services, goods, non-consulting services, Training and Operating Costs.

(c) Strengthening the capacity of the NWSC for implementation, coordination and management of activities under its Respective Part of the Project, all through provision of technical advisory services, goods, non-consulting services, Training and Operating Costs.
SCHEDULE 2

Project Execution

Section 1. Institutional and Implementation Arrangements

A. Institutional Arrangements; Ministry of Water and Environment ("MWE")

1. The Recipient shall designate, at all times during the implementation of the Project, the MWE (in particular, the DWRM, DWD and DEA) to be responsible for prompt and efficient oversight and implementation of activities under its Respective Part of the Project, and shall take all actions including the provision of funding, personnel and other resources necessary to enable the MWE (in particular, the DWRM, DWD and DEA) to implement said Part of the Project. To this end, the Recipient shall, not later than six (6) months after the Effective Date, appoint in accordance with the provisions of Section III of this Schedule 2, and thereafter maintain at all times during Project implementation, within the MWE, two Project accounts staff, a procurement specialist, a procurement assistant, an environmental and social safeguards specialist, a Project liaison officer and a monitoring and evaluation specialist, all with qualifications, experience and terms of reference acceptable to the Association.

2. Without limitation upon the provisions of paragraph 1 of this Part A, the Recipient shall designate, at all times during the implementation of the Project, the DWRM to be responsible for day to day implementation, coordination and management of activities (including procurement, financial management, environmental and social safeguards, monitoring and evaluation, supervision and reporting aspects), as the case may be, under Parts I (a) and (b) of the Project. Without limitation to the generality of the foregoing, the DWRM shall, for purposes of day to day implementation of activities included in the integrated catchment action plans prepared under Part 1 (a) of the Project, carry out its functions in coordination with respective directorates or agencies in accordance with their mandates, as elaborated in the Project Implementation Manual.

3. Without limitation upon the provisions paragraphs 1 and 2 of this Part A, the Recipient shall designate, at all times during the implementation of the Project, the DEA to be responsible for day to day implementation, coordination and management of activities (including procurement, financial management, environmental and social safeguards, monitoring and evaluation, supervision and reporting aspects) under Part 1 (c) of the Project. The DEA shall carry out its functions in coordination with the WMZs, Local Governments and the NFA as elaborated in the Project Implementation Manual.
4. Without limitation upon the provisions of paragraphs 1, 2 and 3 of this Part A, the Recipient shall designate, at all times during the implementation of the Project:

(a) the DWD, to be responsible for day to day implementation, coordination and management of activities (including procurement, financial management, environmental and social safeguards, monitoring and evaluation, supervision and reporting aspects) under Part 2 (b) of the Project. The DWD shall carry out its functions in coordination with the Local Governments, as elaborated in the Project Implementation Manual; and

(b) the WSLD within DWD, to be responsible for overall communication and coordination of Project activities and to provide technical support to the DWRM, DWD, DEA and NWSC, including, inter alia, support for: (i) carrying out financial management and procurement at the national level; (ii) consolidating the proposed annual work plan and budget for subsequent approval by the Association; (iii) compiling and disseminating periodic Project reports and financial reports referred to in Section II of this Schedule 2; (iv) collating monitoring and evaluation reports; and (v) facilitating coordination and liaison between MWE, the NWSC and other agencies on issues related to Project implementation.

B. Subsidiary Agreement; Project Implementing Entity

1. To facilitate the carrying out of the Project Implementing Entity’s Respective Part of the Project, the Recipient shall make part of the proceeds of the Financing allocated from time to time to Category 2, available to the National Water and Sewerage Corporation (“Project Implementing Entity”), under a subsidiary agreement between the Recipient and the Project Implementing Entity, under terms and conditions approved by the Association (“Subsidiary Agreement”), which shall include the following: (a) the principal amount of the Credit made available under the Subsidiary Agreement (“Subsidiary Financing”) shall be denominated in Uganda Shillings; (b) an amount equivalent to not less than twenty-five percent (25%) of the Subsidiary Financing shall be: (i) charged interest on the principal amount withdrawn and outstanding from time to time at the rate of three-fourths of one percent (3/4 of 1%) per annum; and (ii) repayable over a period not exceeding forty (40) years from the date of the Subsidiary Agreement, inclusive of a grace period not exceeding ten (10) years; and (c) the remainder of the Subsidiary Financing shall be made available on a non-refundable grant basis.

2. The Recipient shall carry out its obligations and exercise its rights under the Subsidiary Agreement in such manner as to protect the interests of the Recipient and the Association and to accomplish the purposes of the Financing. Except as
the Association shall otherwise agree, the Recipient shall not assign, amend,
abrogate or waive said Subsidiary Agreement or any of its provisions.

C. Project Implementation Manual

1. The Recipient shall prepare, under terms of reference acceptable to the
Association and furnish to the Association for review, a Project implementation
manual, which shall include provisions on the following matters: (a) capacity
building activities for sustained achievement of the Project's objectives;
(b) financial management and disbursement; (c) procurement; (d) institutional
administration, coordination and day to day execution of Project
activities; (e) monitoring and evaluation, reporting, information, education and
communication of Project activities; (f) guidelines for carrying out Subprojects
including the eligibility criteria and detailed procedures for the selection,
approval and implementation of said Subprojects; and (g) such other technical
and organizational arrangements and procedures as shall be required for
the Project.

2. The Recipient shall afford the Association a reasonable opportunity to exchange
views with the Recipient on said Project implementation manual, and thereafter,
shall adopt such Project implementation manual, as shall have been approved
by the Association ("Project Implementation Manual").

3. The Recipient shall ensure that the Project is carried out in accordance with the
Project Implementation Manual; provided, however, that in case of any conflict
between the provisions of the Project Implementation Manual and the provisions
of this Agreement, the provisions of this Agreement shall prevail.

4. Except as the Association shall otherwise agree, the Recipient shall not amend,
abrogate or waive any provision of the Project Implementation Manual.

D. Annual Work Plan and Budget

1. The Recipient shall prepare and furnish to the Association not later than
May 15 of each Fiscal Year during the implementation of the Project, a work
plan and budget containing all activities (including Subprojects) proposed to be
included in the Project during the following Fiscal Year (including Safeguard
Instruments applicable to said activities in accordance with the provisions
of Section I.F of this Schedule 2), and a proposed financing plan for
expenditures required for such activities, setting forth the proposed amounts and
sources of financing.

2. Each such proposed work plan and budget shall specify any training activities
that may be required under the Project, including: (a) the type of training; (b) the
purpose of the training; (c) the personnel to be trained; (d) the institution or
individual who will conduct the training; (e) the location and duration of the training; and (f) the cost of the training.

3. The Recipient shall afford the Association a reasonable opportunity to exchange views with the Recipient on each such proposed work plan and budget and thereafter ensure that the Project is implemented with due diligence during said following Fiscal Year in accordance with such work plan and budget as shall have been approved by the Association ("Annual Work Plan and Budget").

4. The Recipient shall not make or allow to be made any change to the approved Annual Work Plan and Budget without prior approval in writing by the Association.

E. Anti-Corruption

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

F. Safeguards

1. The Recipient shall ensure that the Project is carried out in accordance with the Safeguard Frameworks and Safeguard Instruments. To that end, the Recipient shall ensure that the following actions are taken in a manner acceptable to the Association:

   (a) if any Project activity would, pursuant to the Environmental and Social Management Framework ("ESMF"): (i) require the carrying out of an Environmental Impact Assessment ("EIA"), the Recipient shall ensure that an EIA for such activity is: (A) carried out, in accordance with the requirements of the ESMF and furnished to the Association for review and approval; and (B) disclosed as required by the ESMF and approved by the Association; and (ii) require the preparation of an Environmental Management Plan ("EMP"), such EMP is prepared in accordance with the ESMF and furnished to the Association for review and approval, and is disclosed as required by the ESMF and approved by the Association; and

   (b) if a Resettlement Action Plan ("RAP") would be required for any Project activity on the basis of the Resettlement Policy Framework ("RPF"); (i) said RAP shall be prepared in accordance with the requirements of the RPF, disclosed locally and furnished to the Association; and (ii) no works under said activity shall be commenced until all measures required to be taken under said RAP prior to the initiation of said works have been taken.
2. Without limitation upon its other reporting obligations under this agreement and under Section 4.08 of the General Conditions, the Recipient shall include in the Project Reports referred to in Section II.A of this Schedule, adequate information on the implementation of the Safeguard Frameworks and Safeguard Instruments, giving details of: (a) measures taken in furtherance of such Safeguard Frameworks and Safeguard Instruments; (b) conditions, if any, which interfere or threaten to interfere with the smooth implementation of such Safeguard Frameworks and Safeguard Instruments; and (c) remedial measures taken or required to be taken to address such conditions and to ensure the continued efficient and effective implementation of such Safeguard Frameworks and Safeguard Instruments.

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports

1. 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 indicators acceptable to the Association. Each Project Report shall cover the period of six months, and shall be furnished to the Association not later than forty-five (45) days after the end of the period covered by such report.

2. The Recipient shall, not later than one month prior to the mid-term review referred to in paragraph 3 of this Section A, furnish to the Association for comments, a report, in such detail as the Association shall reasonably request, on the progress of the Project, and giving details of the various matters to be discussed at such review.

3. The Recipient shall, not later than thirty-six (36) months after the Effective Date, undertake in conjunction with all agencies involved in the Project, including the Project Implementing Entity, a comprehensive mid-term review of the Project during which it shall exchange views with the Association and implementing agencies generally on all matters relating to the progress of the Project, the performance by the Recipient of its obligations under this Agreement and the performance by said implementing agencies, having regard to the performance indicators referred to in paragraph 1 immediately above.

4. Following the mid-term review, the Recipient shall act promptly and diligently in order to take any corrective action deemed necessary to remedy any shortcoming noted in the implementation of the Project, or to implement such other measures as may be required in furtherance of the objectives of the Project.
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. 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. The audited Financial Statements for each such period shall be furnished to the Association not later than six (6) months after the end of such period.

C. Financial Management Covenants

1. The Recipient shall, not later than three (3) months after the Effective Date, provide financial management training for staff involved in financial management of the Project, under terms of reference acceptable to the Association.

2. To facilitate the proper maintenance of its financial management system referred to in Part B.1 of this Section II, the Recipient shall, not later than six (6) months after the Effective Date, acquire appropriate accounting systems, in accordance with the provisions of Section III of Schedule 2 to this Agreement.

Section III. Procurement

A. General

1. Goods, Works and Non-consulting Services. All goods, works and non-consulting 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 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 methods described in Sections II and III of the Procurement Guidelines, or Sections II, III, IV and V of the Consultant Guidelines, as the case may be.

B. Particular Methods of Procurement of Goods, Works and Non-consulting Services

1. **International Competitive Bidding.** Except as otherwise provided in paragraph 2 below, goods, works and non-consulting services shall be procured under contracts awarded on the basis of International Competitive Bidding.

2. **Other Methods of Procurement of Goods, Works and Non-consulting Services.** The following methods, other than International Competitive Bidding, may be used for procurement of goods, works and non-consulting services for those contracts specified in the Procurement Plan: (a) National Competitive Bidding *(subject to the provisions in paragraph 3 below)*; (b) Shopping *(subject to the provision in paragraph 4 below)*; and (c) Direct Contracting *(subject to the provision in paragraph 5 below)*.

3. National Competitive Bidding shall be subject to the following:

   (a) Negotiating with the lowest evaluated responsive bidder shall not be permitted;

   (b) The use of a merit point system for bid evaluation shall not be permitted except for procurement of: (i) complex information and technology systems; and (ii) design and build contracts;

   (c) Domestic preferences shall not apply under NCB;

   (d) The charging of fees for dealing with bidder complaints at procuring entity level shall not be permitted; and

   (e) In accordance with paragraph 1.16(e) of the Procurement Guidelines, each bidding document and contract shall provide for the following: (i) the bidders, suppliers, contractors and subcontractors shall, on request, permit the Association to inspect the accounts and records relating to the bid submission and performance of the contract, and shall have the accounts and records audited by auditors appointed by the Association; and (ii) any deliberate and/or material violation of such provision by any bidder, supplier, contractor or subcontractor may amount to an obstructive practice as provided for in paragraphs 1.16(a) and (v) of the Procurement Guidelines.
4. Shopping shall follow the request for quotations procedures (as defined in the PPDA Act and attendant regulations).

5. Direct Contracting shall be subject to the following, namely, that micro-procurement (as defined in the PPDA Act) shall only apply for contracts estimated to cost the equivalent of 150 Dollars or less.

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, other than Quality and Cost-based Selection, may be used for procurement of consultants' services for those contracts which are specified in the Procurement Plan: (a) Quality-based Selection; (b) Fixed Budget Selection; (c) Least Cost Selection; (d) Selection based on Consultants' Qualifications; (e) Single-source Selection of consulting firms; (f) Procedures set forth in paragraphs 5.2 and 5.3 of the Consultant Guidelines for the Selection of Individual Consultants; and (g) Single-source procedures for the Selection of Individual Consultants.

D. Review by the Association of Procurement Decisions

The Procurement Plan shall set forth those contracts which shall be subject to the Association's Prior Review. All other contracts shall be subject to Post Review by the Association.

E. Specific Procurement Covenants

1. The Recipient shall, not later than six (6) months after the Effective Date, provide training for PDU staff, under terms of reference acceptable to the Association.

2. The Recipient shall, not later than twelve (12) months after the Effective Date, update its procurement filing and record keeping system, in form and substance acceptable to the Association.

3. The Recipient shall, not later than twelve (12) months after the Effective Date, acquire additional and appropriate office space for PDU staff, under terms of reference acceptable to 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:

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Financing Allocated (expressed in SDR)</th>
<th>Percentage of Expenditures to be Financed (inclusive of Taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Goods, works, non-consulting services, consultants services,</td>
<td>52,000,000</td>
<td>100%</td>
</tr>
<tr>
<td>Training and Operating Costs required for Parts 1, 2(b), 3(a) and 3(b) of the Project</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(2) Goods, works, non-consulting services, consultants services,</td>
<td>35,100,000</td>
<td>100%</td>
</tr>
<tr>
<td>Training and Operating Costs required for Parts 2(a) and 3(c) of the Project</td>
<td></td>
<td></td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>87,100,000</td>
<td></td>
</tr>
</tbody>
</table>

B. Withdrawal Conditions; Withdrawal Period

1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made out of the proceeds of the Financing for payments made prior to the date of this Agreement.

2. The Closing Date is December 31, 2018.
SCHEDULE 3

Repayment Schedule

<table>
<thead>
<tr>
<th>Date Payment Due</th>
<th>Principal Amount of the Credit repayable (expressed as a percentage)*</th>
</tr>
</thead>
<tbody>
<tr>
<td>On each August 15 and February 15:</td>
<td></td>
</tr>
<tr>
<td>commencing August 15, 2022 to and including February 15, 2032</td>
<td>1%</td>
</tr>
<tr>
<td>commencing August 15, 2032 to and including February 15, 2052</td>
<td>2%</td>
</tr>
</tbody>
</table>

* 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. “Annual Work Plan and Budget” means the work plan and budget prepared annually by the Recipient in accordance with Section I.D of Schedule 2 to this Agreement.


3. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.


5. “DEA” means the Directorate of Environmental Affairs within the MWE, and any successor thereto.

6. “Displaced Persons” means persons who, on account of the execution of the Project would suffer direct economic and social impacts resulting in: (a) the involuntary taking of land resulting in: (i) relocation or loss of shelter; (ii) loss of assets or access to assets; and (iii) loss of income sources or means of livelihood, whether or not the affected persons must move to another location; or (b) the involuntary restriction of access to legally designated parks and protected areas resulting in adverse impacts on the livelihoods of said persons.

7. “DWD” means the Directorate of Water Development within the MWE, and any successor thereto.

8. “DWRM” means the Directorate of Water Resources Management within the MWE, and any successor thereto.

9. “EIA” means, with respect to each activity under the Project pursuant to which the ESMF requires an environmental impact assessment, such assessment carried out pursuant to Section I.F of Schedule 2 to this Agreement, in accordance with the ESMF; and “EIAs” means, collectively, all such EIA.

10. “ESMF” means the Environmental and Social Management Framework of the Recipient dated and disclosed on March 21, 2012, setting forth the modalities for environmental screening and procedures for the preparation and implementation of environmental assessments and management plans under the Project, and such
term includes all schedules and annexes to the ESMF, as the same may be amended from time to time with the written agreement of the Association.

11. "EMP" means an Environmental Management Plan, prepared in accordance with the ESMF and the provisions of Section I.F of Schedule 2 to this Agreement for the purposes of a Project activity and acceptable to the Association.

12. "Fiscal Year" means the twelve month period starting July 1 and ending June 30 of the following year.


15. "Local Government" means any of the following municipalities or towns of the Recipient: Arua, Gulu, Ishaka-Bushenyi, Mbale, Butaleja-Busolwe, Budaka-Kadama-Tirinyi, Kumi-Nyero-Ngora, Rukungiri, Busia, Pallisa, Katwe-Kabatoro and Koboko; and any of the following districts of the Recipient: Jinja, Kayunga and Buikwe; or such other districts or municipalities or towns as may be elaborated in the Project Implementation Manual from time to time; and “Local Governments” means, collectively, all such Local Governments as defined by the Local Governments Act.

16. "Local Governments Act" means Chapter 243 of the laws of the Recipient, as the same may be amended from time to time.

17. "MWE" means the Recipient’s Ministry of Water and Environment, and any successor thereto.

18. "National Water and Sewerage Corporation" or “NWSC” means the Recipient’s National Water and Sewerage Corporation, established and operating pursuant to the NWSC Act.

19. "NFA" means the Recipient’s National Forestry Authority established and operating pursuant to the National Forestry and Tree Planting Act 8 of 2003 of the laws of the Recipient, and any successor thereto.

20. "NWSC Act" means the National Water and Sewerage Corporation, Chapter 317 of the laws of the Recipient, as the same may be amended from time to time.

21. “Operating Costs” means the incremental expenses incurred on account of Project implementation, based on the Annual Work Plan and Budget approved by the Association pursuant to Section I.D of Schedule 2 to this Agreement, and consisting of expenditures for office supplies, vehicle operation and maintenance,
maintenance of equipment, communication and insurance costs, office administration costs, utilities, rental, consumables, accommodation, travel and \( per 
\text{diem} \), and salaries of Project staff, but excluding the salaries of the Recipient’s civil service.

22. “Participating Water Management Zones” or “Participating WMZs” means the Kyoga and the Upper Nile Water Management Zones, collectively.

23. “PDU” means the Procurement and Disposal Unit within the MWE and the Project Implementing Entity, respectively, and any successors thereto.

24. “Planning and Capital Development Unit” means the Planning and Capital Development Unit within the Project Implementing Entity, and any successor thereto.

25. “PPDA Act” means the Public Procurement and Disposal of Public Assets Act 1 of 2003 of the laws of the Recipient, as the same may be amended from time to time.


27. “Procurement Plan” means the Recipient’s procurement plan for the Project, dated May 8, 2012 and referred to in paragraph 1.18 of the Procurement Guidelines and paragraph 1.25 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.

28. “Project Implementing Entity” or “PIE” means the National Water and Sewerage Corporation.

29. “Project Implementation Manual” means the manual, in form and substance satisfactory to the Association, referred to in Section I.C of Schedule 2 to this Agreement; as such manual may be amended from time to time with written agreement of the Association.

30. “Respective Part of the Project” means, for the Recipient, Parts 1, 2(b), 3(a) and 3(b) of the Project; and for the Project Implementing Entity, Parts 2(a) and 3(c) of the Project.

31. “Resettlement Action Plan” or “RAP” means a resettlement plan, prepared and implemented in accordance with the RPF and the provisions of Section I.F of Schedule 2 to this Agreement and approved by the Association.

and compensation of Displaced Persons under the Project, as the same may be amended from time to time with the written agreement of the Association.

33. “Safeguard Framework” means, the ESMF or RPF, as the context may require; and “Safeguard Frameworks” means, collectively, all of said frameworks.

34. “Safeguard Instrument” means an EIA, EMP or a RAP for a Project activity; and “Safeguard Instruments” means, collectively, all such assessments or plans for the Project.

35. “Subproject” means a specific development project to be carried out under Part 1 (a)(ii) or Part 2(b) of the Project by the Recipient or under Part 2(a) of the Project by the PIE, in both cases, utilizing the proceeds of the Financing, and “Subprojects” means, collectively, all such Subprojects.

36. “Subsidiary Agreement” means the agreement referred to in Section 1.B of Schedule 2 to this Agreement pursuant to which the Recipient shall make part of the proceeds of the Financing available to the Project Implementing Entity.

37. “Subsidiary Financing” means the principal amount of the Credit made available to the Project Implementing Entity under the Subsidiary Agreement.

38. “Training” means the costs associated with training, workshops and study tours provided under the Project, based on the Annual Work Plan and Budget approved by the Association pursuant to Section 1.D of Schedule 2 to this Agreement, consisting of reasonable expenditures (other than expenditures for consultants’ services) for: (i) travel, room, board and per diem expenditures incurred by trainers and trainees in connection with their training and by non-consultant training facilitators; (ii) course fees; (iii) training facility rentals; and (iv) training material preparation, acquisition, reproduction and distribution expenses.


40. “Water Act” means the Water Act, Chapter 152 of the laws of the Recipient, as the same may be amended from time to time.

41. “Water Management Zone” or “WMZ” means each water management zone established by the MWE, namely: Albert; Kyoga; Victoria; and Upper Nile, and “Water Management Zones”; and “WMZs” means, collectively, all said Water Management Zones.

42. “WSLD” means the Water Sector Liaison Division within the MWE, and any successor thereto.