OFFICIAL DOCUMENTS

CREDIT NUMBER 5611-UG

Financing Agreement

(Agriculture Cluster Development Project)

between

REPUBLIC OF UGANDA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated 26 September 2016

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AGREEMENT dated September 26, 2016, 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 one hundred six million four hundred thousand Special Drawing Rights (SDR 106,400,000) (variously, "Credit" and "Financing"), to assist in financing the project described in Schedule I 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 The Service Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to three-fourths of one percent (3/4 of 1%) per annum.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.

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ARTICLE III — PROJECT

3.01. The Recipient declares its commitment to the objective of the Project. 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 consists of the following, namely, that the Association, has declared the Voucher Management Agent ineligible to receive proceeds of any financing made by the Association, or otherwise to participate in the preparation or implementation of any project financed in whole or in part by the Association, as a result of: (a) a determination by the Association that the Voucher Management Agent has engaged in fraudulent, corrupt, coercive or collusive practices in connection with the use of the proceeds of any financing made by the Association; and/or (b) a declaration by another financier that the Voucher Management Agent is ineligible to receive proceeds of any financing made by such financier or otherwise to participate in the preparation or implementation of any project financed in whole or in part by such financier as a result of a determination by such financier that the Voucher Management Agent has engaged in fraudulent, corrupt, coercive or collusive practices in connection with the use of the proceeds of any financing made by such financier.

4.02. The Additional Event of Acceleration consists of the following, namely, that the event specified in Section 4.01 of this Agreement occurs.

ARTICLE V — EFFECTIVENESS; TERMINATION

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

(a) the Recipient, through the ministry of agriculture, animal industry and fisheries (MAAIF), has established and put into operation a functional Project Coordination Unit, in accordance with the provisions of Section I.A.1(b)(i) of Schedule 2 to this Agreement;

(b) the Recipient, through MAAIF, has appointed the Voucher Management Agent, in accordance with the provisions of Section I.A.1(b)(ii) of Schedule 2 to this Agreement; and
the Recipient, through MAAIF, has prepared and adopted the Project Implementation Manual, in accordance with the provisions of Section I.B.1 of Schedule 2 to this Agreement.

5.02. The Effectiveness Deadline is the date one hundred and twenty (120) days after the date of this Agreement.

5.03. 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
Republic of Uganda

Telephone Facsimile
256-414-707000 256-414-230163

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
AGREED at Kampala, September 26, as of the day and year first above written.

REPUBLIC OF UGANDA

By

[Signature]

Authorized Representative

Name: Martin Kasaija

Title: Minister

INTERNATIONAL DEVELOPMENT ASSOCIATION

By

[Signature]

Authorized Representative

Name: Christina Malmberg Calvo

Title: Country Manager
SCHEDULE 1

Project Description

The objective of the Project is to raise on-farm productivity, production, and marketable volumes of selected agricultural commodities in specified geographic clusters.

The Project consists of the following parts:

Part 1: Support for Intensification of On-Farm Production

Carrying out of a program of activities designed to support intensification of on-farm production of Targeted Commodities by Eligible Farmers in Targeted Clusters, in particular:

(a) Scaling-up provision of eVouchers to Eligible Farmers with a view to subsidizing the cost of EligibleInputs for production and storage of Targeted Commodities.

(b) Scaling-up provision of Training to Eligible Farmers on effective and efficient use of Eligible Inputs.

(c) Supporting development of agricultural input markets for, inter alia, Targeted Commodities, through: (i) strengthening the capacity of MAAIF for collection, analysis and provision of practical and timely agricultural input market information to accredited suppliers of, inter alia, Eligible Inputs; (ii) strengthening the capacities of said accredited suppliers to coordinate, operate effectively and scale-up supply of, inter alia, Eligible Inputs through provision of Training; and (iii) strengthening the capacity of the agricultural inputs working group.

Part 2: Preparation for Agricultural Water Management Investment

(a) Carrying out of pre-feasibility and feasibility studies and preparation of comprehensive designs for development of priority lowland rice irrigation schemes (including, inter alia, proposed investments in irrigation and drainage infrastructure for up to 6,400 hectares of existing lowland rice fields, associated detailed engineering designs, tender documents and appropriate environmental and social due diligence), and catchment management plans for selected Targeted Clusters.

(b) Strengthening the capacities of existing water user groups in priority lowland rice irrigation schemes (including, registration thereof), all through the provision of technical assistance and Training.
Part 3: Market Linkages, Post-harvest Handling, Storage, and Value Addition

Carrying out of a program of activities designed to improve market linkages, market access, post-harvest handling, storage, value addition and to provide market intelligence to, inter alia, farmers, producer organizations and traders network in the Targeted Clusters, in particular:

(a) Supporting linkages between area-based commodity cooperative enterprises and rural producer organizations, respectively, and local, regional and international markets, respectively, with a view to enhancing effective marketing of farm produce, all through the provision of technical assistance and Training (including buyer-seller meets).

(b) Carrying out of specific development projects to construct and rehabilitate priority rural farm access/feeder roads with a view to removing bottlenecks ("Subprojects").

(c) (i) Carrying out of a program of activities designed to strengthen the institutional, technical, operational and management capacities of farmers' cooperatives and farmers' associations at the national and local levels, all through the provision of technical assistance and Training; and (ii) provision of Matching Grants to Beneficiaries for developing facilities for post-harvest handling, grading, bulking, warehousing, storage and processing of farm produce for value-addition.

Part 4: Project Management, Policy, Regulatory, and ICT Functions of MAAIF

(a) Supporting the establishment and operationalization of the Project Coordination Unit within MAAIF, the National Project Steering Committee and the Cluster Multi-stakeholder Platforms, respectively, all through the provision of technical assistance, Training, Operating Costs and acquisition of goods for the purpose.

(b) Carrying out of a program of actions designed to strengthen the policy and regulatory functions of MAAIF, in particular:

(i) Undertaking comprehensive reviews of regulatory frameworks, in particular: (A) harmonizing the Agricultural Seeds and Plant
Act and associated regulations with key EAC Instruments; (B) developing guidelines and procedures for inspection and certification of vegetative planting materials; and (C) developing plant variety protection regulations with a view to promoting private investment in genetic improvement of crops (including the Targeted Commodities);

(ii) strengthening the capacity of the Crop Inspection and Certification Department for, among others: (A) the effective review and/or implementation of: the Plant Protection Act; the Agricultural Seeds and Plant Act; the Agricultural Chemical (Controls) Act; and the Plant Variety Protection Act, respectively, and related regulations; (B) developing regulations on quality assurance and certification for planting materials, including pest and disease control, and plant quarantine; and (C) developing standards on manufacturing, processing, registration, quality assurance, handling and safe use of agrochemicals and safe labor-saving technologies;

(iii) strengthening the capacity of the Phytosanitary and Quarantine Service for enforcing regulations on quarantined pests and diseases, as well as quality assurance of seed imports and exports, all in accordance with national, regional and international guidelines and protocols; and

(iv) strengthening the capacity of the National Seed Certification Service with a view to: (A) facilitating its accreditation with ISTA and OECD, respectively; and (B) facilitating provision of training, implementation and enforcement of seed certification at the national level.

(c) Scaling-up development and implementation of an ICT-based agriculture information platform in MAAIF, including, *inter alia*: (i) supply and installation of appropriate ICT, including, hardware/infrastructure, software, internet connectivity, local area networks, voice communication systems, mobile telephone technology support, among others; (ii) provision of Training on information technology skills to users; and (iii) provision of Operating Costs for the purpose.
SCHEDULE 2

Project Execution

Section I. Institutional and Implementation Arrangements

A. Institutional Arrangements

1. MAAIF

   (a) The Recipient shall designate, at all times during the implementation of the Project, the MAAIF (in particular, the Task Manager and Component Managers, respectively) to be responsible for prompt and efficient oversight and coordination of the implementation of Project activities, and shall take all actions, including the provision of funding, personnel and other resources necessary to enable the MAAIF to perform said functions.

   (b) To this end, the Recipient, through MAAIF, shall:

      (i) establish and thereafter maintain, at all times during the implementation of the Project, a Project Coordination Unit ("PCU") within MAAIF, with functions, staffing and resources satisfactory to the Association, to be responsible for day to day coordination and implementation (including, fiduciary aspects, safeguards aspects, monitoring and evaluation, reporting and communication) of Project activities at the national level; and

      (ii) appoint, in accordance with the provisions of Section III of this Schedule 2, and thereafter maintain, during the initial three (3) years of Project implementation, a Voucher Management Agent ("VMA") to: (A) facilitate the implementation of Parts 1(a) and (b) of the Project; and (B) strengthen the capacity of MAAIF staff for implementation of said Parts 1(a) and (b) of the Project.

2. National Project Steering Committee

   Without limitation upon the provisions of paragraph 1 immediately above, the Recipient, through MAAIF, shall establish and thereafter maintain at all times during the implementation of the Project, the National Project Steering Committee, with a composition, mandate, terms of reference and resources satisfactory to the Association, to be responsible for providing strategic and policy guidance for the Project at the national level.

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3. Local Governments

(a) Without limitation upon the provisions of paragraphs 1 and 2 of this Section 1.A, the Recipient shall designate, at all times during the implementation of the Project, the respective Local Governments established in the respective Targeted Clusters, to be responsible for, *inter alia*, coordinating the implementation of Project activities at the District level. The Recipient shall cause to be taken all actions, including, the provision of funding, personnel and other resources necessary to enable the Local Governments to perform said functions.

(b) To this end, the Recipient, through each Local Government, shall establish and thereafter maintain, at all times during the implementation of the Project, a District Coordination Team, with a composition, mandate, terms of reference, and resources satisfactory to the Association, to be responsible for day to day coordination, implementation, reporting and communication of Project activities and results at the District level, in coordination with the PCU.

4. Cluster Multi-Stakeholder Platform

Without limitation upon the provisions of paragraphs 1, 2 and 3 immediately above, the Recipient shall establish and thereafter maintain, at all times during the implementation of the Project, a Cluster Multi-Stakeholder Platform in each Targeted Cluster, with a composition, mandate, terms of reference, and resources satisfactory to the Association, to be responsible for preparing the annual work plan and budget for the Targeted Cluster.

B. Implementation Arrangements

1. Project Implementation Manual

(a) The Recipient shall prepare, in accordance with 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: (i) capacity building activities for sustained achievement of the Project’s objectives; (ii) arrangements on financial management, setting forth the detailed policies and procedures for financial management under the Project; (iii) procurement management procedures, including a manual to guide procurement at the local level; (iv) institutional administration, coordination and day to day execution of Project activities; (v) monitoring and evaluation; (vi) reporting; (vii) information, education and communication of Project activities; (viii) the eligibility criteria and procedures for the selection and approval of Targeted Clusters and Targeted Commodities, respectively; (ix) the...
eligibility criteria, guidelines and detailed procedures for the selection, approval, implementation and management of Subprojects under Part 3 (b) of the Project; (x) guidelines for assessing potential environmental and social impacts of Project activities (including said Subprojects) and designing appropriate mitigation, management and monitoring measures in respect of said impacts; (xi) the eligibility criteria, guidelines and detailed procedures for the selection, approval, provision and management of Matching Grants under Part 3(c)(ii) of the Project ("Matching Grants Manual"); (xii) an annex on management of eVouchers, including, inter alia: (A) guidelines and detailed procedures for provision of, and terms and conditions for receipt of eVouchers under Part 1(a) of the Project; and (B) eligibility criteria, guidelines and detailed procedures for selection of Eligible Farmers and Eligible Inputs (including, the methodology for establishing and revising the unit price of each Eligible Input which unit price shall be calculated on the basis of a methodology satisfactory to the Association), respectively; and (xiii) such other technical and organizational arrangements and procedures as shall be required for the Project.

(b) 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").

(c) 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.

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

2. Annual Work Plan and Budget

(a) The Recipient shall prepare and furnish to the Association not later than June 30 of each Fiscal Year during the implementation of the Project, a work plan and budget containing all activities (including Subprojects under Part 3(b) of the Project and Matching Grants under Part 3(c)(ii) of the Project) proposed to be included in the Project (including Safeguards Instruments applicable to said activities in accordance with the provisions of Section I.F of this Schedule 2) during the following Fiscal
Year, and a proposed financing plan for expenditures required for such activities, setting forth the proposed amounts and sources of financing.

(b) Each such proposed work plan and budget shall specify any Training activities that may be required under the Project, including: (i) the type of Training; (ii) the purpose of the Training; (iii) the personnel to be trained; (iv) the institution or individual who will conduct the Training; (v) the location and duration of the Training; and (vi) the cost of the Training.

(c) 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").

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

C. Anti-Corruption

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

D. Subprojects under Part 3(b) of the Project

Each Subproject shall be eligible for financing upon the Recipient's determination, on the basis of an appraisal conducted in accordance with the criteria, guidelines and detailed procedures set forth in the Project Implementation Manual, that the Subproject satisfies the eligibility criteria specified in the Project Implementation Manual, which criteria shall, inter alia, include the following:

(a) the Subproject shall be appraised on the basis of an environmental and social assessment and other guidelines acceptable to the Association (and be accompanied by appropriate Safeguards Instruments, if required pursuant to the Safeguards Frameworks);

(b) the Subproject shall be designed to avoid any involuntary resettlement of persons or loss of their income or productive capacity;

(c) the Subproject and the associated Safeguards Instruments, if any, shall be approved by the Recipient and the Association, unless with respect to the
Association’s approval, the Association has notified the Recipient in writing that its prior approval is not required; and

(d) the Subproject shall be included in the Annual Work Plan and Budget.

E. Matching Grants under Part 3(c)(ii) of the Project

1. The Recipient, through MAAIF, shall review, appraise and approve each proposal for a Matching Grant and administer the Matching Grants under Part 3 (c)(ii) of the Project, in accordance with the eligibility criteria, guidelines and detailed procedures set forth in the Matching Grants Manual, which criteria, guidelines and detailed procedures shall, inter alia, include the following:

(a) each proposal for a Matching Grant shall be eligible for financing upon the Recipient’s determination that:

(i) the Beneficiary satisfies the eligibility criteria specified in the Matching Grants Manual, which criteria shall, inter alia, include the following, the Beneficiary: (A) is an area-based commodity cooperative enterprise or a group of area-based commodity cooperative enterprises, an agricultural association or a group of agricultural associations, each located and operating in a Targeted Cluster, and duly established and operating under the laws of the Recipient; (B) is privately owned and operated, and is not fully or partly owned by the Recipient or entities controlled by the Recipient; and (C) has prepared a proposal (including a financing plan and budget, and an implementation plan), in form and substance satisfactory to the Association; and

(ii) the proposal is: (A) for eligible expenditures; (B) technically feasible, and financially and economically sound; and (C) included in the Annual Work Plan and Budget; and

(b) the Recipient, through MAAIF, unless otherwise agreed to by the Recipient and the Association in their periodic annual reviews of progress made in carrying out of the Project, shall ensure that: (i) a Matching Grant for financing a proposal shall not exceed 75,000 US Dollars equivalent; and (ii) the amount of a Matching Grant, including any financing from sources other than those of the Recipient, shall not exceed sixty-seven percent (67%) of the total cost of the proposal.

2. The Recipient shall make each Matching Grant under a Matching Grant Agreement with each Beneficiary on terms and conditions approved by the Association, which shall include the following:

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(a) the Matching Grant shall be denominated in Uganda Shillings; and

(b) the Recipient shall obtain rights adequate to protect its interests and those of the Association, including the right to: (i) suspend or terminate the right of the Beneficiary to use the proceeds of the Matching Grant, or obtain a refund of all or any part of the amount of the Matching Grant then withdrawn, upon the Beneficiary’s failure to perform any of its obligations under the Matching Grant Agreement; and (ii) require each Beneficiary to: (A) carry out its Subproject with due diligence and efficiency and in accordance with sound technical, economic, financial, managerial, environmental and social standards and practices satisfactory to the Association, including in accordance with the provisions of the Anti-Corruption Guidelines applicable to recipients of credit proceeds other than the Recipient; (B) provide, promptly as needed, the resources required for the purpose; (C) procure the goods, works, non-consulting services and services to be financed out of the Matching Grant in accordance with the provisions of this Agreement; (D) maintain policies and procedures adequate to enable it to monitor and evaluate in accordance with indicators acceptable to the Association, the progress of the Subproject and the achievement of its objectives; (E) (1) maintain a financial management system and prepare financial statements in accordance with consistently applied accounting standards acceptable to the Association, both in a manner adequate to reflect the operations, resources and expenditures related to the Subproject; and (2) at the Association’s or the Recipient’s request, have such financial statements audited by independent auditors acceptable to the Association, in accordance with consistently applied auditing standards acceptable to the Association, and promptly furnish the statements as so audited to the Recipient and the Association; (F) enable the Recipient and the Association to inspect the Subproject, its operation and any relevant records and documents; and (G) prepare and furnish to the Recipient and the Association all such information as the Recipient or the Association shall reasonably request relating to the foregoing.

3. The Recipient shall exercise its rights under each Matching Grant 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 any Matching Grant Agreement or any of its provisions.

F. Safeguards

1. The Recipient shall ensure that the Project is carried out in accordance with the Safeguards Frameworks and Safeguards Instruments. To this 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 and Social Impact Assessment ("ESIA"), the Recipient shall ensure that an ESIA 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 and Social Management Plan ("ESMP"), such ESMP 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, furnished to the Association for review and approval, and disclosed as required by the RPF and approved by 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 Safeguards Frameworks and Safeguards Instruments, giving details of: (a) measures taken in furtherance of such Safeguards Frameworks and Safeguards Instruments; (b) conditions, if any, which interfere or threaten to interfere with the smooth implementation of such Safeguards Frameworks and Safeguards 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 Safeguards Frameworks and Safeguards 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 two (2) months after the end of the period covered by such report.

2. The Recipient shall, not later than two (2) months prior to the mid-term review referred to in paragraph 3 of this Section II.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-eight (38) months after the Effective Date, undertake, in conjunction with all agencies involved in the Project, 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 of this Section II.A.

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.

4. To facilitate the proper maintenance of its financial management system referred to in Part B.1 of this Section II, the Recipient, through MAAIF, shall not later than six (6) months after the Effective Date: (a) recruit a PCU accountant, in accordance with the provisions of Section III of this Schedule 2; and (b) provide financial management Training for accounting and audit staff, under terms of reference acceptable to the Association.

5. **Internal Audits.** Without limitation upon the provisions of paragraph 3 of this Section II.B, the Recipient shall carry out semi-annual internal audits under terms and conditions satisfactory to the Association, and furnish the related internal audit reports to the Association not later than forty-five (45) days after the end of each audited period.

**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 method 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) Limited International Bidding; (b) National Competitive Bidding, subject to the additional provisions in paragraph 3 below; (c) Shopping, subject to the additional provision in paragraph 4 below; (d) procurement under Framework Agreements in accordance with procedures which have been found acceptable to the Association, subject to the additional provision in paragraph 5 below; and (e) Direct Contracting.

3. National Competitive Bidding ("NCB") shall be subject to the following:

(a) Domestic preferences shall not apply under NCB;
(b) The charging of fees for dealing with bidder complaints at procuring entity level shall not be permitted;
(c) Firms or individuals debarred or suspended by the Association shall not be eligible (in addition to firms or individuals suspended by PPDA);
(d) Paragraph 6(1)(c) of the fourth schedule of the PPDA Act (restriction on contract amendments to an aggregate amount of twenty-five percent (25%) of the original contract amount) shall not apply (set out in Annex 2 to this Agreement);
(e) Regulation 48(a) of the PPDA Regulations (on rejection of a bid submitted by a bidder who did not obtain the bidding document directly from the procuring and disposing entity) shall not apply; and
(f) Regulation 53(9) of the PPDA Regulations (restriction on the use of bid securing declarations to restricted domestic bidding and quotations procurement) shall not apply.

4. Shopping shall follow the request for quotations procedures (as defined in the PPDA Act and attendant regulations) subject to the provisions in sub-paragraphs (a) to (g) immediately above.

5. Framework Agreements ("FAs") shall be subject to the following, namely, that FA procedures (as defined in the PPDA Act) shall be subject to competitive bidding under NCB procedures (subject to the exceptions under paragraph 3 above).

C. Particular Methods of Procurement of Consultants' Services

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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) Selection under a Fixed Budget; (c) Least Cost Selection; (d) Selection based on Consultants’ Qualifications; (e) Single-source Selection of consulting firms; (f) Selection of consultants under Indefinite Delivery Contract or Price Agreement; (g) Procedures set forth in paragraphs 5.2 and 5.3 of the Consultant Guidelines for the Selection of Individual Consultants; and (h) 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.

**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</th>
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<td>-----------------------</td>
<td></td>
</tr>
<tr>
<td>(1) eVouchers under Part 1(a) and Training under Parts 1(b) and 1 (c)(ii) of the Project</td>
<td>59,750,000</td>
<td></td>
</tr>
<tr>
<td>(2) Goods, works, non-consulting services, consultants’ services, Training and Operating Costs under Parts 1(c)(i), 1(c)(iii), 2, 3(a), 3(c)(i) and 4 of the Project</td>
<td>15,450,000</td>
<td></td>
</tr>
<tr>
<td>(3) Works, consultants’ services and Operating Costs under Part 3(b) of the Project</td>
<td>11,350,000</td>
<td></td>
</tr>
<tr>
<td>(4) Matching Grants under Part 3(c) (ii) of the Project</td>
<td>19,850,000</td>
<td></td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>106,400,000</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:
   
   (a) for payments made prior to the date of this Agreement, except that withdrawals up to an aggregate amount not to exceed US$30,000,000 may be made for payments made prior to this date but on or after April 30, 2015, for Eligible Expenditures under Categories (1), (2) and (3); or
   
   (b) under Category (4), in respect of a Matching Grant to any Beneficiary, until the Beneficiary has concluded a Matching Grant Agreement for the Project period.

2. The Closing Date is March 31, 2022.
### 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, commencing August 15, 2021 to and including February 15, 2053</td>
<td>1.5625%</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.

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APPENDIX

Definitions

1. "Affected Persons" means persons who, on account of the execution of the Project would suffer direct economic and social impacts resulting in: (a) relocation or loss of shelter; (b) loss of assets or access to assets; (c) loss of income sources or means of livelihood, whether or not the affected persons must move to another location; and (d) adverse impacts on the livelihoods of the affected persons.

2. "Agricultural Chemical (Controls) Act" means the Recipient's Act Number 1 of 2007, as amended to date.


4. "Annual Work Plan and Budget" means the work plan and budget prepared annually by the Recipient in accordance with the provisions of Section I.B.2 of Schedule 2 to this Agreement.


6. "Beneficiary" means an area-based commodity cooperative enterprise or a group of area-based commodity cooperative enterprises or an agricultural association or a group of agricultural associations, respectively, duly established and operating under the Cooperative Societies Act, and the recipient of a Matching Grant.

7. "Category" means a category set forth in the table in Section IV of Schedule 2 to this Agreement.

8. "Cluster Multi-stakeholder Platform" means the Recipient's entity referred to in Section I.A.4 of Schedule 2 to this Agreement.

9. "Component Manager" means the Recipient's office responsible for implementing any Part of the Project, and "Component Managers" means, collectively, one or more such offices.

11. "Cooperative Societies Act" means Chapter 112 of the laws of the Recipient, as the same may be amended from time to time.

12. "Crop Inspection and Certification Department" means the Recipient's department within MAAIF.

13. "District Coordination Team" means the Recipient's team referred to in Section I.A.3(b) of Schedule 2 to this Agreement.

14. "EAC Instruments" means the following East African Community instruments: (a) the Field Inspection Standards for seed field inspection; (b) the Laboratory Seed Testing Standards; (c) the Variety Testing and Registration Procedures; and (d) the Phytosanitary Pest List for the East African region.

15. "Eligible Farmer" means an eligible farm household receiving eVouchers for the purchase of Eligible Inputs under Part 1(a) of the Project, all in accordance with the provisions of the Project Implementation Manual.

16. "Eligible Input" means a specific package of agricultural and technology inputs (such as fertilizers, seeds, small-scale irrigation equipment, planting materials, pesticides, on-farm storage and mobile telephones, among others) elaborated in the Project Implementation Manual, to be purchased by an Eligible Farmer using an eVoucher under Part 1(a) of the Project, all in accordance with the provisions of the Project Implementation Manual.

17. "Environmental and Social Impact Assessment" or "ESIA" means, with respect to each activity under the Project pursuant to which the ESMF requires an environmental and social impact assessment, such assessment, carried out in accordance with the provisions of Section I.F of Schedule 2 to this Agreement.

18. "Environmental and Social Management Framework" or "ESMF" means the framework of the Recipient disclosed in-country on December 2, 2014, and at the Association's InfoShop on December 11, 2014, 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.

19. "Environmental and Social Management Plan" or "ESMP" means a plan prepared by the Recipient in accordance with the provisions of Section I.F of Schedule 2 to this Agreement.

20. "Fiscal Year" or "FY" means the Recipient's twelve month period starting July 1 and ending June 30 of the following year.

22. “ICT” means information and communications technology.


24. “Local Government” means any of the districts in a Targeted Cluster, established and operating pursuant to the Local Governments Act, and “Local Governments” means, collectively, two or more such districts.


26. “MAAIF” means the Recipient’s ministry of agriculture, animal industry and fisheries, and its successor thereto.

27. “Matching Grant” means a grant made or proposed to be made by the Recipient to a Beneficiary under Part 3(c)(ii) of the Project in accordance with the provisions of Section I.E of Schedule 2 to this Agreement, and “Matching Grants” means, collectively, two or more such grants.

28. “Matching Grant Agreement” means an agreement made or proposed to be made between the Recipient and a Beneficiary providing for a Matching Grant.

29. “National Project Steering Committee” means the Recipient’s committee referred to in Section I.A.2 of Schedule 2 to this Agreement.

30. “National Seed Certification Service” means the entity established and operating pursuant to Section 6 of the Agricultural Seeds and Plant Act.


32. “Operating Costs” means the incremental expenses incurred on account of Project implementation based on the Annual Work Plan and Budget, and consisting of, audit fees, 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 diem, and salaries of Project staff, but excluding the salaries of the Recipient’s civil service, meeting allowances, other sitting allowances, salary top ups and all honoraria, as further outlined in the Project Implementation Plan.

33. “Pest Management Plan” or “PMP” means the plan of the Recipient disclosed in-country on December 2, 2014, and in the Association’s InfoShop on December 11, 2014, setting forth the modalities for handling and use of pesticides under the

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Project, as the same may be amended from time to time with the written agreement of the Association.

34. "Phytosanitary Inspection and Quarantine Services" means the unit within MAAIF’s crop protection department.

35. “Plant Protection Act” means Chapter 31 of the laws of the Recipient, as amended from time to time.

36. “Plant Variety Protection Act” means the Recipient’s Act Number 14 of 2014, as amended to date.

37. “PPDA” means the Recipient’s Public Procurement and Disposal of Public Assets Authority established and operating pursuant to the PPDA Act, and any successor thereto.

38. “PPDA Act” means the Recipient’s Public Procurement and Disposal of Public Assets Act Number 1 of 2003, as amended to date.

39. “PPDA Regulations” means, for the purposes of this Agreement, the provisions from the Recipient’s Public Procurement and Disposal of Public Assets (Rules and Methods for Procurement of Supplies, Works and Non-Consultancy Services) Regulations 2014, (under section 96 of the PPDA Act), dated March 3, 2014, set out in Annex 1 to this Agreement.


41. “Procurement Plan” means the Recipient’s procurement plan for the Project, dated March 4, 2015, 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.

42. “Project Coordination Unit” means the Recipient’s unit referred to in Section I.A.1(b)(i) of Schedule 2 to this Agreement.

43. “Project Implementation Manual” means the Recipient’s plan referred to in Section I.B.1 of Schedule 2 to this Agreement.

44. “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.

45. “RPF” means the Resettlement Policy Framework of the Recipient disclosed in-country on December 2, 2014, and in the Association’s InfoShop on December
11, 2014, setting forth the modalities for resettlement and compensation of Affected Persons under the Project, as the same may be amended from time to time with the written agreement of the Association.

46. “Safeguards Framework” means, the ESMF or RPF, as the context may require; and “Safeguards Frameworks” means, collectively, two or more such frameworks.

47. “Safeguards Instrument” means, an ESIA, ESMP, PMP or a RAP for a Project activity; and “Safeguards Instruments” means, collectively, two or more such instruments.

48. “Subproject” means a specific development activity to be carried out under Part 3(b) or Part 3(c)(ii) of the Project, respectively, and “Subprojects” means, collectively, two or more such specific development activities.

49. “Targeted Cluster” means one of the following twelve clusters in the Recipient’s agro-ecological zones: Cluster 1 comprising of Masaka, Mpigi and Rakai Districts, respectively; Cluster 2 comprising of Iganga, Bugiri and Namutamba Districts, respectively; Cluster 3 comprising of Pallisa, Tororo and Buteleja Districts, respectively; Cluster 4 comprising of Kapchorwa, Bukwo and Mbale Districts, respectively; Cluster 5 comprising of Soroti and Serere Districts, respectively; Cluster 6 comprising of Amuru, Nwoya and Gulu Districts, respectively; Cluster 7 comprising of Apac, Oyam, Lira, Kole and Dokolo Districts, respectively; Cluster 8 comprising of Kabarole, Kamwenge and Kasese Districts, respectively; Cluster 9 comprising of Kyenjojo, Kyegegwa, Mubende and Kibaale Districts, respectively; Cluster 10 comprising of Hoima, Masindi and Kiryandongo Districts, respectively; Cluster 11 comprising of Ntungamo, Kabale, Bushenyi and Isingiro Districts, respectively; and Cluster 12 comprising of Nebbi, Arua, Maracha and Yumbe Districts, respectively, and “Targeted Clusters” means, collectively, two or more of the twelve clusters.

50. “Targeted Commodity” means one of the following commodities, maize, cassava, beans, rice or coffee, respectively, and “Targeted Commodities” means, collectively, two or more said commodities.

51. “Task Manager” means the Recipient’s office referred to in Section I.A.1(a) of Schedule 2 to this Agreement.

52. “Training” means the costs associated with training provided under the Project based on the Annual Work Plan and Budget, and consisting of reasonable expenditures (other than expenditures for consultants’ services) for: (a) travel, room, board and per diem expenditures incurred by trainers and trainees in connection with their training and by non-consultant training facilitators;
(b) course fees; (c) training facility rentals; and (d) training material preparation, acquisition, reproduction and distribution expenses.

53. "Voucher Management Agent" means the Recipient's management agent referred to in Section I.A.1(b)(ii) of Schedule 2 to this Agreement.
ANNEX 1

Exceptions to the PPDA Regulations

“48. Bidding documents not obtained directly from a procuring and disposing entity.

A bid shall be rejected during the preliminary examination of bids, if the bid is received from a bidder who—

(a) is not listed on Form 8 as having bought or obtained the bidding document directly from the procuring and disposing entity.

...

53. Bid security and bid securing declaration.

(9) A procuring and disposing entity shall require a bid securing declaration where the restricted domestic bidding and quotations procurement methods are used.”

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ANNEX 2

Exception in Fourth Schedule to the PPDA Act

"Section 79 (1).

Fourth Schedule
Conditions for Use of Procurement Methods

6. Direct procurement.

(1) Direct procurement may be used—

(a) where—

(i) there is insufficient time for any other procedure such as in an emergency situation; or

(ii) the works, services or supplies are available from only one provider; or

(iii) an existing contract could be extended for additional works, services or supplies of a similar nature and no advantage could be obtained by further competition, if the prices on the extended contract are reasonable; or

(iv) additional works, services or supplies are required to be compatible with existing supplies, works or services and it is advantageous or necessary to purchase the additional works, services or supplies from the original supplier, provided the prices on the additional contract are reasonable; or

(v) it is essential or preferable to purchase additional works, services or supplies from the original supplier to ensure continuity for downstream work, including continuity in technical approach, use of experience acquired or continued professional liability, if the prices on the additional contract are reasonable;

(b) in the circumstances specified in subparagraph (1) (a)(iii), (iv) and (v), where the value of the new works, services or supplies does not exceed fifteen percent of the value of the original or existing contract and the original or existing contract is awarded through a competitive process; and

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(c) where direct procurement is used more than once in the circumstances specified in sub paragraph (1) (b), the cumulative value of all new works, services or supplies shall not exceed twenty five percent of the value of the original or existing contract.”