

Document:	<u>EB 2014/113/R.16/Sup.1</u>
Agenda:	<u>10(a)</u>
Date:	<u>1 December 2014</u>
Distribution:	<u>Public</u>
Original:	<u>English</u>

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Investing in rural people

Republic of Uganda

Project for the Restoration of Livelihoods in the Northern Region

Negotiated financing agreement

Executive Board — 113th Session
Rome, 15-16 December 2014

For: Information

Negotiated financing agreement: "Project for the Restoration of Livelihoods in the Northern Region "

(Negotiations concluded on 18 November 2014)

Loan Number:

ASAP Grant Number:

Project Title: Project for the Restoration of Livelihoods in the Northern Region ("the Project")

The Republic of Uganda (the "Borrower")

and

The International Fund for Agricultural Development (the "Fund" or "IFAD")

and

The Adaptation for Smallholder Agriculture Programme Trust Fund (the ASAP Trust)

(each a "Party" and both of them collectively the "Parties")

PREAMBLE

WHEREAS (A) the Borrower has requested a loan from the Fund and a grant from the ASAP Trust for the purpose of financing the Project described in Schedule 1 to this Agreement;

(B) the Executive Board of IFAD, at its 105th Session approved the establishment of an ASAP Trust;

(C) on the basis of the above and other considerations, the ASAP Trust has agreed to extend an ASAP Trust Grant to the Borrower for the purpose of increasing the financing in respect of the above referred Project, on the terms and conditions set forth in this Agreement;

NOW THEREFORE, the parties hereto hereby agree as follows:

Section A

1. The following documents collectively form this Agreement: this document, the Project Description and Implementation Arrangements (Schedule 1), the Allocation Table (Schedule 2), and the Special Covenants (Schedule 3).

2. The Fund's General Conditions for Agricultural Development Financing dated 29th April 2009, as may be amended from time to time (the "General Conditions") are annexed to this Agreement, and all provisions thereof shall apply to this Agreement. For the purposes of this Agreement the terms defined in the General Conditions shall have the meanings set forth therein.

3. The Fund shall provide a Loan and the ASAP Trust shall provide a Grant to the Borrower (the "Financing"), which the Borrower shall use to implement the Project in accordance with the terms and conditions of this Agreement.

Section B

1. (a) The amount of the Loan is thirty-four million Special Drawing Rights (SDR 34 000 000).
- (b) The amount of the ASAP Trust Grant is six million seven hundred and seventy thousand Special Drawing Rights (SDR 6 770 000).
2. The Loan is granted on the following highly concessional terms:
 - (a) free of interest;
 - (b) bearing a service charge of three fourths of one percent (0.75%) per annum; and
 - (c) having a maturity period of forty (40) years, including a grace period of (10) years.
3. The Loan Service Payment Currency shall be the United States Dollar.
4. The first day of the applicable Fiscal Year shall be 1st July.
5. Payments of principal and service charge shall be payable on each 15th June and 15th December.
6. The Borrower is in the process of implementing a Treasury Single Account (TSA) in a phased manner. As part of an initial transitional phase there shall be an IFAD Holding Account denominated in United States Dollars at the Bank of Uganda and a Project Operational Account in Ugandan Shillings (UGX), opened at a bank acceptable to the Fund for receipt of the financing. In addition, District Project Accounts will be maintained in banks acceptable to the Fund. Further TSA implementation phases may require the said accounts to be transitioned to accounts of a different nature, subject to the Fund's prior concurrence.
7. The Borrower shall provide counterpart financing for the Project in the amount of approximately nine million three hundred thousand United States Dollars (USD 9 300 000) to cover duties and taxes.

Section C

1. The Lead Project Agency shall be the Ministry of Local Government (MoLG).
2. The following are designated as additional Project Parties: District Local Governments of Adjumani, Agago, Amuru, Gulu, Kitgum, Lamwo, Nwoya and Pader.
3. The Project Completion Date shall be the seventh anniversary of the date of entry into force of this Agreement.

Section D

The Financing will be administered and the Project directly supervised by IFAD.

Section E

1. The following are designated as additional specific conditions precedent to withdrawal:

- (a) The Project Coordinator for the Project Management Unit and the Financial Controller, both acceptable to the Fund, shall have been appointed;
- (b) The IFAD Holding Account denominated in United States Dollars (USD) and the Project Operational Account in Ugandan Shillings (UGX) shall have been opened; and
- (c) Operational guidelines for post-harvest handling grants, community-based natural resource management grants and food security grants, acceptable to the Fund, are put in place prior to any spending under Category V of Schedule 2.

2. The following are the designated representatives and addresses to be used for any communication related to this Agreement:

For the Borrower:

Permanent Secretary/ Secretary to the Treasury
Ministry of Finance, Planning and Economic Development,
Plot 2/12 Apollo Kaggwa Road
P. O. Box 8147,
Kampala
Uganda

For the Fund:

The President
International Fund for Agricultural development
Via Paolo di Dono 44
00142 Rome, Italy

For the Adaptation for Smallholder Agriculture
Programme Trust Fund:

The President of the International Fund for Agricultural Development in its capacity
as Trustee of the Adaptation for Smallholder Agriculture Programme Trust Fund
Via Paolo di Dono 44
00142 Rome, Italy

This Agreement, dated _____, has been prepared in the English language in six (6) original copies, three (3) for the Fund and three (3) for the Borrower.

REPUBLIC OF UGANDA

Authorised Representative

INTERNATIONAL FUND FOR
AGRICULTURAL DEVELOPMENT

Authorised Representative

Schedule 1

Project Description and Implementation Arrangements

I. Project Description

1. The project area shall consist of the following eight districts: Adjumani, Agago, Amuru, Gulu, Kitgum, Lamwo, Nwoya and Pader.
2. The overall goal of the project is: increased income, food security and reduced vulnerability of poor rural households in the project area.
3. The project development objective is increased sustainable production, productivity and climate resilience of small holder farmers with increased and profitable access to domestic and export markets.
4. Components. The Project shall consist of the following Components:
 - (a) Component A: Rural Livelihoods.
 - i. Sub-component A.1. Community planning and capacity development. This shall impact 600 villages and use a focused participatory planning approach to identify: (a) available resources and map them; (b) farmer groups that meet the eligibility and social targeting criteria; (c) vulnerable households and youth; and, (d) priority livelihoods and community-based natural resources management (CBNRM) activities and group capacity development activities. Focus shall be on capacity building of communities to plan and implement group activities. Community-based facilitators (CBF) shall provide a critical link between the local governments and target groups at village level.
 - ii. Sub-component A.2 Priority climate resilient crop production systems. This will strengthen capacity of rural poor farming households to increase production and productivity of food security and marketable crops through an extensive agricultural extension programme.
 - (b) Component B. Market Linkages and Infrastructure.
 - i. Subcomponent B.1. Improved market access processes. Activities will include: (a) specialised business skill and post-harvest handling (PHH) and value adding; (b) assistance to develop business plans for expanding businesses or investment; (c) training, market development (including market information) and appropriate mentoring support; and (d) piloting and demonstrating new technologies and approaches.
 - ii. Sub-component B.2 Market access infrastructure. This sub-component will improve access to markets, through improvements to community access roads and structures that facilitate production marketing in selected strategic sites for agriculture trade.
 - (c) Component C. Project management and coordination. For management and coordination of implementation of project activities.

II. Implementation Arrangements

1. MoLG shall be the implementing agency.
2. The current Project Policy Committee used in the IFAD-funded District Livelihoods Support Programme, chaired by the MoLG Permanent Secretary, shall be maintained to provide policy oversight over implementation. It shall be expanded to include representatives of ministries and agencies with supervision and implementation responsibilities. It will guide project planning and implementation, provide high-level advice, review and approve annual workplans and budgets (AWPBs), implementation progress and impact, and address key strategic issues of a policy nature.
3. Day-to-day project management shall be delegated to the PMU, which shall be located in the Municipality of Gulu, with a liaison office in Kampala. Key PMU staff shall include: a project coordinator; an agribusiness and partnerships management specialist; an agronomist / extension specialist; a monitoring, evaluation and learning specialist; a sociologist / community development specialist; two infrastructure engineers; a climate change / environment specialist; a procurement and contract management officer; and a financial controller.
4. In each district, the Chief Administrative Officer will be responsible for project implementation and will designate appropriate officers as follows: (i) a project support officer; (ii) a finance officer/accountant; and, (iii) a civil engineer in charge of infrastructure.

Schedule 2*Allocation Table*1. *Allocation of the Financing.*

- (a) The Table below sets forth the Categories of Eligible Expenditures to be financed by the Loan and the ASAP Trust Grant and the allocation of the amounts of the Financing to each Category:

Category	Loan Amount Allocated (expressed in SDR)	ASAP Grant Amount Allocated (expressed in SDR)
I Equipment and materials	550 000	50 000
II Consultancies	2 490 000	2 050 000
III Training	4 860 000	1 510 000
IV Works	18 720 000	0
V Grants and subsidies	700 000	2 480 000
VI Operating costs	3 280 000	0
Unallocated costs	3 400 000	680 000
TOTAL	34 000 000	6 770 000

- (b) Consultancies include the costs of designing and supervising civil works.
- (c) Operating costs include salaries and other emoluments.
- (d) In all cases the percentage of expenditures to be financed shall be 100% net of taxes and beneficiaries' contributions.
- (e) Costs under sub-component A.2 will be allocated to ASAP financing to the extent that the costs pertain to climate-resilience activities.

2. *Start-up Costs.* Withdrawals in respect of expenditures for start-up costs incurred before the satisfaction of the general conditions precedent to withdrawal shall not exceed an aggregate amount of SDR 1 000 000.

Schedule 3

Special Covenants

In accordance with Section 12.01(a)(xxiii) of the General Conditions, the Fund may suspend, in whole or in part, the right of the Borrower to request withdrawals from the Loan Account and the ASAP Trust Grant Account if the Borrower has defaulted in the performance of any covenant set forth below, and the Fund has determined that such default has had, or is likely to have, a material adverse effect on the Project:

1. The Lead Project Agency shall submit the Project Implementation Manual (PIM) to the Fund for approval prior to its adoption, within six months of entry into force of this Agreement. The PIM shall contain a section detailing how the Project financing will be traceable and accountable.
2. Details of districts bank accounts, referred to in Section B.6 above, shall be formally communicated to and accepted by the Fund, within six months of entry into force of this Agreement. The Borrower shall not make any disbursements to district accounts until a determination has been made, in agreement with the Fund, as to the nature of the accounts.
3. The Lead Project Agency shall, within six months of entry into force of this Agreement, implement a project accounting software, acceptable to the Fund, which is capable of providing an audit trail that tracks expenditure by expense category, project component and financier at all project levels.
4. The terms of reference of the Auditor General shall have been agreed to include special emphasis on controls at district and village level activities, to ensure complete audit coverage.
5. The Lead Project Agency shall be responsible for the internal audit of the Project in accordance with an appropriate terms of reference, to include the production of at least a semi-annual internal report that will be shared with the Fund.
6. The Borrower shall ensure that the proceeds of the Loan and ASAP Trust Grant are free and clear of all taxes. Any taxes and duties paid by the Project shall be reimbursed by the Borrower. The said taxes shall not include income tax.
7. Monitoring, Evaluation and Learning. The Borrower shall ensure that the PMU develops a Monitoring, Evaluation and Learning system, compatible with the IFAD Results and Impact Management System within twelve (12) months from the date of entry into force of this Agreement, thereby allowing for the appropriate determination of the outcomes and impact of the Project components. A base line survey shall be undertaken within nine (9) months from the date of entry into force of this Agreement.
8. The Borrower shall establish within six (6) months from the date of entry into force of this Agreement a Project Contracts Committee, based in Gulu, with fully delegated powers from MoLG, with a composition acceptable to the Fund and the required authority to undertake procurement review and selection. The Borrower shall also ensure the continuing operation of the Project Contracts Committee and shall not alter its composition without first consulting the Fund for the duration of the Project Implementation Period.