

Public Disclosure Authorized

OFFICIAL DOCUMENTS

GRANT NUMBER D1150-3E

Financing Agreement

(Eastern and Southern Africa Higher Education Centers of
Excellence Project – ACE II)

between

INTERNATIONAL DEVELOPMENT ASSOCIATION

and

INTER-UNIVERSITY COUNCIL FOR EAST-AFRICA

Dated JULY 11, 2016

GRANT NUMBER D1150-3E

FINANCING AGREEMENT

AGREEMENT dated July 11, 2016, entered into between INTERNATIONAL DEVELOPMENT ASSOCIATION (“Association”) and INTER-UNIVERSITY COUNCIL FOR EAST-AFRICA (“Recipient”). 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 Grant in an amount equivalent to five million eight hundred thousand Special Drawing Rights (SDR 5,800,000) (variously, “Grant” 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 Payment Dates are January 1 and July 1 in each year.
- 2.05. The Payment Currency is the Dollar.

ARTICLE III — PROJECT

- 3.01. The Recipient declares its commitment to the objective of the Project. To this end, the Recipient shall: (a) carry out Parts 2 and 3 of the Project; and (b) collaborate with the Participating Countries in carrying out Part 1 of the Project, both through its Implementation Unit 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 — EFFECTIVENESS; TERMINATION

- 4.01. The Additional Condition of Effectiveness consists of the following, namely that the Performance Agreement has been executed in form and substance satisfactory to the Association on behalf of the Recipient and the Regional Steering Committee.
- 4.02. The Effectiveness Deadline is the date one hundred twenty (120) days after the date of this Agreement.
- 4.03. 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 V — REPRESENTATIVE; ADDRESSES

- 5.01. The Recipient's Representative is its Executive Secretary.
- 5.02. The Recipient's Address is:

Plot M833 – Kigobe Road
Kyambogo
Kampala
Republic of Uganda

Telephone: 256 41 4256251 or 256 41 4256252
Facsimile: 256 41 4342007

- 5.03. The Association's Address is:

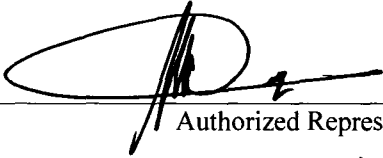
International Development Association
1818 H Street, N.W.
Washington, D.C. 20433
United States of America

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

AGREED at NAIROBI, KENYA, as of the day and year first above written.

INTERNATIONAL DEVELOPMENT ASSOCIATION

By

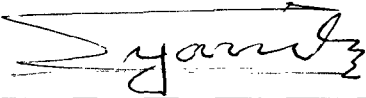

Authorized Representative

Name: Ahmadou Toure Stepha Ndirage

Title: Country Director.

INTER-UNIVERSITY COUNCIL FOR EAST-AFRICA

By


Authorized Representative

Name: LYAMBABAJE, A.

Title: EXECUTIVE SECRETARY

SCHEDULE 1

Project Description

The objective of the Project is to support the Recipient to strengthen Eastern and Southern African Higher Education Institutions in the Participating Countries' territory to deliver quality post-graduate education and build collaborative research capacity in the regional priority areas.

The Project consists of the following parts:

Part 1: Strengthening Africa Centers of Excellence in Regional Priority Areas

Strengthen the capacity of the Africa Centers of Excellence in Eastern and Southern African Higher Education Institutions, in particular to:

- (a) build institutional capacity to provide quality post-graduate education with relevance to the labor market;
- (b) build institutional capacity to conduct high quality applied research, relevant to addressing a key development challenge or priority;
- (c) develop and enhance partnerships with other academic institutions (national, regional and international) to pursue academic excellence;
- (d) develop and enhance partnerships with industry and the private sector to generate greater impact;
- (e) improve governance and management of the institution and set up a role model for other higher education institutions; and
- (f) deliver outreach, and create an impact, to society by delivering excellent teaching and producing high quality applied research.

Part 2: Capacity-Building Support to Africa Centers of Excellence through Regional Interventions

Enhance capacity-building for the Africa Centers of Excellence to enable them to perform better, overcome their challenges and achieve their objectives by providing:

- (a) capacity building on partnership development with the private sector; and
- (b) competitive scholarships to undertake programs in any of the Africa Centers of Excellence.

Part 3: Facilitation, Coordination and Administration of Project Implementation

Support the preparation, coordination and effective and efficient management of the Project.

SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements

The Recipient shall maintain throughout the period of Project implementation, the Implementation Unit to run the day-to-day management of Parts 2 and 3 of the Project and provide secretariat services to the Regional Steering Committee, with the composition, staffing, and powers acceptable to the Association as further described in the Project Operational Manual.

B. Annual Work Programs

1. The Recipient shall, not later than March 31 in each calendar year during Project implementation, prepare and furnish to the Association, a program of activities proposed for inclusion in the Project during the following fiscal year, including: (a) a detailed timetable and budget for the sequencing and implementation of said activities; (b) the types of expenditures required for such activities; and (c) the planned procurement methods for the expenditures (“Annual Work Program”).
2. The Recipient shall exchange views with the Association on each such proposed Annual Work Program, and shall thereafter carry out such program of activities for such following fiscal year as shall have been agreed between the Recipient and the Association.
3. Only those activities, which are included in an Annual Work Program, shall be included in the Project. Notwithstanding the foregoing, the Annual Work Program might be amended from time to time to include new activities with the prior and written concurrence of the Association.

C. Eligible Expenditure Programs and Technical Controls

1. For the purposes of assisting the Participating Countries in carrying out Part 1 of the Project, the Recipient shall be responsible to carry out the verification of the proper fulfillment of DLIs and DLRs either directly (for DLIs 1 and DLRs 1.1 and 1.2) or through the Independent Verifiers (for DLIs 2 through 4 and DLRs 2.1 through 4.2), to be hired in accordance with the provisions of Section III to this Schedule, not later than six months after the Effective Date, and thereafter maintained under terms and conditions acceptable to the Association.
2. The Recipient shall: (a) assess the fulfilment of the DLIs and DLRs or cause the Independent Verifiers, acting as third party monitoring and evaluation experts, to assess said fulfilment; and (b) confirm or cause the Independent Verifiers to confirm the actual spending status of the EEPs, and said assessment and confirmation shall be included in

the bi-annual EEP Spending Reports together with a proposal for disbursement under each Withdrawal, prepared in accordance with the Project Operational Manual.

3. The EEPs will comply with the eligibility criteria and procedures set forth in the Project Operational Manual.

D. Anti-Corruption

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

E. Project Operational Manual

1. The Recipient shall: (a) adopt not later than one month after the Effective Date, and thereafter maintain the Project Operational Manual in form and substance satisfactory to the Association; and (b) carry out the Project in accordance with said Project Operational Manual.
2. The Recipient shall not amend the Project Operational Manual without the prior written approval of the Association.
3. In the event of any conflict between the provisions of the Project Operational Manual and this Agreement, the provisions of this Agreement shall prevail.

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 set forth in the Project Operational Manual and found acceptable to the Association. Each Project Report shall cover the period of one calendar semester, and shall be furnished to the Association not later than forty-five (45) days after the end of the period covered by such report.

B. Financial Management, Financial Reports and Audits

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

the fiscal year in which the first withdrawal was made under the Preparation Advance for the Project. 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.

Section III. Procurement

A. General

1. **Goods and Non-consulting Services.** All goods 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 and Non-consulting Services

1. **International Competitive Bidding.** Except as otherwise provided in paragraph 2 below, goods and non-consulting services shall be procured under contracts awarded on the basis of International Competitive Bidding.
2. **Other Methods of Procurement of Goods and Non-consulting Services.** The following methods, other than International Competitive Bidding, may be used for procurement of goods and non-consulting services for those contracts specified in the Procurement Plan: (a) Limited International Bidding; (b) Shopping; (c) procurement under Framework Agreements in accordance with procedures which have been found acceptable to the Association; and (d) Direct Contracting.

C. Particular Methods of Procurement of Consultants' Services

1. **Quality- and Cost-based Selection.** Except as otherwise provided in paragraph 2 below, consultants' services shall be procured under contracts awarded on the basis of Quality and Cost-based Selection.
2. **Other Methods of Procurement of Consultants' Services.** The following methods, 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) 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.

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 Grant to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category:

Category	Amount of the Grant Allocated (expressed in SDR)	Percentage of Expenditures to be Financed (inclusive of Taxes)
(1) Goods, Non-consulting services, Consultants' services, Operating Costs and Training for Parts 2 and 3 of the Project	5,080,000	100%
(2) Refund of Preparation Advance	720,000	Amount payable pursuant to Section 2.07 of the General Conditions
TOTAL AMOUNT	5,800,000	

B. Withdrawal Conditions; Withdrawal Period

1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made for payments made prior to the date of this Agreement, except that withdrawals up to an aggregate amount not to exceed SDR 200,000 equivalent may be made for payments made twelve months prior to such date for Eligible Expenditures under Category (1).
2. The Closing Date is December 31, 2022.

Section V. Other Undertakings

By June 30, 2019, or such other date as the Association shall agree upon, the Recipient through the Implementation Unit shall: (i) carry out jointly with the Association, the Regional Steering Committee, the Eastern and Southern African Higher Education Institutions and the Participating Countries, a mid-term review on the implementation of operations under the Project, which shall cover the progress achieved in the implementation of the Project; and (ii) following such mid-term review, act promptly and diligently to take any corrective action as shall be agreed by the Association.

APPENDIX

Section I. Definitions

1. “Africa Centers of Excellence” or “ACE” means the academic centers within the Eastern and Southern African Higher Education Institutions essentially in the areas of science, technology, engineering, and mathematics, as well as agriculture and health, applied statistics, education, or any other area as per the needs to comprehensively address the development challenge of the proposed center and as established in the Project Operational Manual.
2. “Annual Work Program” means the annual work program to be prepared by the Recipient not later than March 31 in each calendar year during Project implementation including a program of activities and budget proposed for inclusion in the Project during the following fiscal year.
3. “Anti-Corruption Guidelines” means the “Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants”, dated October 15, 2006, and revised in January 2011.
4. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.
5. “Consultant Guidelines” means the “Guidelines: Selection and Employment of Consultants under IBRD Loans and IDA Credits and Grants by World Bank Borrowers” dated January 2011 and revised in July 2014.
6. “Disbursement-Linked Indicators” or “DLIs” means a set of indicators as specified in the Project Operational Manual.
7. “Disbursement-Linked Results” or “DLRs” means a set of quantitative results associated with each DLI as specified in the Project Operational Manual.
8. “East African Community” is a regional intergovernmental organization of the Republics of Burundi, Kenya, Rwanda, Uganda, South Soudan and the United Republic of Tanzania with its headquarters in Arusha, as established on July 7, 2000, through the entry into force of the Treaty for the Establishment of the East African Community.
9. “Eastern and Southern African Higher Education Institutions” means collectively the universities or higher education institutions, as further detailed in the Project Operational Manual, all located in the Participating Countries’ territory which are among the selected universities and higher education institutions in the region to produce highly skilled graduates and applied research to help address specific regional development challenges, and ‘Eastern and Southern African Higher Education Institution” means any of these universities or higher education institutions.

10. “EEP” or “Eligible Expenditure Programs” means a set of defined expenditures for goods, works, consulting and non-consulting services, Training and Operating Costs (including salaries and scholarships) made by Participating Countries or by Eastern and Southern African Higher Education Institutions under Part 1 of the Project.
11. “EEP Spending Reports” means the reports prepared by IUCEA or the Independent Verifiers in accordance with the details provided in the Project Operational Manual to make disbursement recommendations for each Withdrawal, based on the spending status of the Eligible Expenditure Programs under Part 1 of the Project and on the compliance with the Disbursement-Linked Indicators.
12. “General Conditions” means the “International Development Association General Conditions for Credits and Grants”, dated July 31, 2010, with the modifications set forth in Section II of this Appendix.
13. “Implementation Unit” means the unit within the administrative structure of the Recipient in charge of the day-to-day management of the Project.
14. “Independent Verifiers” means the independent verifiers referred to in Section I.C of Schedule 2 to this Agreement, to be recruited by the Recipient in order to prepare the EEP Spending Reports, including an assessment of the compliance with the DLIs and DLRs.
15. “Inter-University Council for East Africa” or “IUCEA” means the regional facilitation entity for the Project, an entity established in 2002 as an institution of the East African Community through the Protocol on the Establishment of the Inter-University Council for East Africa with the mandate to develop and coordinate higher education and research.
16. “Operating Costs” means recurrent costs of the Project: (i) operation and maintenance of vehicle, repairs, fuel and spare parts; (ii) computer maintenance, including hardware and software; (iii) communication costs and shipment costs (whenever these costs are not included in the cost of goods); (iv) small office supplies; (v) rent and maintenance for office facilities; (vi) utilities and insurances; (vii) travel and per diem costs for technical staff carrying out training, supervisory and quality control activities; and (viii) salaries of contractual support staff for the Implementation Unit, but excluding salaries of the Recipient’s regular staff.
17. “Participating Countries” means collectively: the Federal Democratic Republic of Ethiopia, the Republic of Kenya, the Republic of Malawi, the Republic of Mozambique, the Republic of Rwanda, the United Republic of Tanzania, the Republic of Uganda and the Republic of Zambia; and “Participating Country” means any of these countries, which have signed or propose to sign a Financing Agreement with the Association for the purpose of the Project.
18. “Performance Agreement” means the agreement signed between the Recipient and the Regional Steering Committee, in form and substance satisfactory to the Association, for the implementation of the Project.

19. "Preparation Advance" means the advance referred to in Section 2.07 of the General Conditions, granted by the Association to the Recipient pursuant to the letter agreement signed on behalf of the Association on July 20, 2015, and on behalf of the Recipient on July 26, 2015.
20. "Procurement Guidelines" means the "Guidelines: Procurement of Goods, Works and Non-consulting Services under IBRD Loans and IDA Credits and Grants by World Bank Borrowers" dated January 2011 and revised in July 2014.
21. "Procurement Plan" means the Recipient's procurement plan for the Project, dated March 7, 2016, 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.
22. "Project Operational Manual" means the manual to be adopted by the Recipient for the implementation of the Project pursuant to Section I.E of Schedule 2 to this Agreement, including, *inter alia*: (i) the terms of reference, functions and responsibilities for the members or the personnel of the Regional Steering Committee and the Implementation Unit; (ii) the procedures for procurement of goods, non-consulting services, consultants' services, Operational Costs, and Training, as well as for financial management and audits under the Project; (iii) the indicators to be used in the monitoring and evaluation of the Project; (iv) the terms of reference for the Independent Verifiers and the detailed content of the EEP Spending Reports; (v) the detailed content of the interim financial reports and the Project Reports; (vi) flow and disbursement arrangements of Project funds; (vii) the DLIs and DLRs; and (viii) the grievance mechanisms; as said manual may be amended from time to time with the Association's prior and written approval.
23. "Regional Steering Committee" means the Regional Steering Committee for the Project, established and operating in cooperation with the Recipient in charge of providing overall guidance and oversight for the Project, established by the Participating Countries for the purposes of the Project on April 27, 2015.
24. "Training" means the reasonable cost of training for persons involved in Project-supported activities, based on the Annual Work Program approved by the Association, such term including scholarships, seminars, workshops, and study tours, and costs associated with such activities including travel and subsistence costs for training participants, costs associated with securing the services of trainers, rental of training facilities, preparation and reproduction of training materials, and other costs directly related to training preparation and implementation.
25. "Withdrawal" means each withdrawal made in favor of the Participating Countries.

Section II. Modifications to the General Conditions

The modifications to the "International Development Association General Conditions for Credits and Grants", dated July 31, 2010, are as follows (all references to Sections and the Appendix are to Sections of and the Appendix to said General Conditions):

1. Section 2.06 is modified to read as follows:

“Section 2.06. *Financing Taxes*

The use of any proceeds of the Financing to pay for Taxes levied by, or in the territory of, the Member Country on or in respect of Eligible Expenditures, or on their importation, manufacture, procurement or supply, if permitted by the Financing Agreement, is subject to the Association’s policy of requiring economy and efficiency in the use of the proceeds of its credits and grants. To that end, if the Association at any time determines that the amount of any such Tax is excessive, or that such Tax is discriminatory or otherwise unreasonable, the Association may, by notice to the Recipient, adjust the percentage of such Eligible Expenditures to be financed out of the proceeds of the Financing specified in the Financing Agreement, as required to ensure consistency with such policy of the Association.”

2. Sections 3.03, 3.04 and 3.08 are deleted in their entirety, and Sections 3.05, 3.06, 3.07, 3.09 and 3.10 are re-numbered, respectively, as Sections 3.03, 3.04, 3.05, 3.06 and 3.07.

3. Paragraphs (b) and (c) of the newly re-numbered Section 3.07 are modified to read as follows:

“(b) All Financing Payments shall be paid without restrictions of any kind imposed by, or in the territory of, the Member Country, and without deduction for, and free from, any Taxes levied by, or in the territory of, the Member Country.

“(c) The Legal Agreements shall be free from any Taxes levied by, or in the territory of the Member Country, or in connection with their execution, delivery or registration.”

4. Paragraph (a) of Section 4.09 (*Financial Management, Financial Statements, Audits*) is modified to read as follows:

“(a) The Recipient shall maintain or cause to be maintained a financial management system and prepare financial statements (“Financial Statements”) in accordance with consistently applied accounting standards acceptable to the Association, both in a manner adequate to reflect the operations and financial condition of the Recipient, including the operations, resources and expenditures related to the Project.”

5. In Section 4.11, paragraph (a) is modified to reads as follows:

“Section 4.11. *Visits*

“(a) The Recipient shall take all action necessary or useful to ensure that the Member Country affords all reasonable opportunity for representatives of the Association to visit any part of their territories for purposes related to the Financing or the Project.”

6. Section 5.01 is deleted in its entirety.
7. Section 6.02 is modified as follows:
 - (a) Paragraph (j) on *Membership* is modified to read as follows:

“(j) *Membership.* The Member Country or any member of the Recipient: (i) has been suspended from membership in or ceased to be a member of the Association; or (ii) has ceased to be a member of the International Monetary Fund.”
 - (b) Paragraph (m) is renumbered as paragraph (n), and a new paragraph (m) is added to read as follows:

“(m) *Interference.* The Member Country: (i) has taken or permitted to be taken any action which would prevent or interfere with the execution of the Project or the performance by the Recipient of its obligations under the Financing Agreement; or (ii) has failed to afford a reasonable opportunity for representatives of the Association to visit any part of its territory for purposes relating to Financing or the Project.”
8. Paragraph (a) of Section 8.01 is modified to read as follows:

“(a) The execution and delivery of each Legal Agreement on behalf of the Recipient which is a party to such Legal Agreement have been duly authorized by all necessary corporate action.”
9. The Appendix (**Definitions**) is modified as follows:
 - (a) Paragraph 29 is modified to read as follows:

“29. “Foreign Expenditure” means an expenditure in the Currency of any country other than the Member Country for goods, works or services supplied from the territory of any country other than the Member Country.”
 - (b) Paragraph 33 is modified to read as follows:

“33. “Local Expenditure” means an expenditure: (a) in the Currency of the Member Country; or (b) for goods, works or services supplied from the territory of the Member Country; provided, however, that if the Currency of the Member Country is also that of another country from the territory of which goods, works or services are supplied, an expenditure in such Currency for such goods, works or services shall be deemed to be a Foreign Expenditure.”
 - (c) A new paragraph 34 with the definition of Member Country is added to read as follows, and the subsequent paragraphs are renumbered accordingly:

““34. “Member Country” means the member of the Association in whose territory the Project is carried out or any such member’s political or administrative subdivisions. If such activity is carried out in the territory of more

than one such member, "Member Country" refers separately to each such member."

(d) Renumbered paragraph 46 is modified to read as follows:

"46. "Recipient" means the party to the Financing Agreement to which the Financing is extended."