

Public Disclosure Authorized

CONFORMED COPY

CREDIT NUMBER 3411 UG

AMENDING AGREEMENT

Dated February 23, 2005

to the

Development Credit Agreement

(Privatization and Utility Sector Reform Project)

between

THE REPUBLIC OF UGANDA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated December 18, 2000

Public Disclosure Authorized

CREDIT NUMBER 3411 UG

AMENDING AGREEMENT

AGREEMENT, dated February 23, 2005, between THE REPUBLIC OF UGANDA (the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association), amending the Development Credit Agreement dated December 18, 2000, for Credit 3411 UG entered into between the same parties (the Credit Agreement).

WHEREAS (A) by the Credit Agreement, the Association made a credit to the Borrower in an amount in various currencies equivalent to thirty-six million two hundred thousand Special Drawing Rights (SDR 36, 200,000) (the Credit) on terms and conditions set forth in the Credit Agreement, for the purpose of financing the execution of Privatization and Utility Sector Reform Project, described in Schedule 2 to the Credit Agreement (the Project);

(B) the Borrower, through the Government of the Republic of Uganda (the Government), Uganda Electricity Distribution Company Limited (UEDCL), and Uganda Electricity Transmission Company Limited (UETCL) have entered into, respectively, a Support Agreement (as hereinafter defined), a Lease and Assignment Agreement (as hereinafter defined), and a Power Sales Agreement (as hereinafter defined) (collectively the Privatization Agreements) with UMEME Limited (as hereinafter defined), all dated May 17, 2004;

(C) the LC Bank (as hereinafter defined) has issued or shall issue, at the request and for the account of UEDCL, a standby letter of credit in favor of UMEME Limited;

(D) pursuant to an agreement dated on or about the date hereof between the Association and the LC Bank (the IDA Commitment Agreement), the Association has agreed to support UEDCL's obligation in respect of repayment of a UMEME Limited drawing of such standby letter of credit (the Association Supported Letter of Credit), under Part E of the Project;

(E) pursuant to an agreement dated on or about the date hereof (the Project Agreement) between UMEME Limited and the Association, setting forth certain undertakings of UMEME Limited to the Association, UMEME Limited has agreed to, *inter alia*, carry out its obligations under the Project in accordance with the Privatization Agreements;

(F) the Borrower has requested the Association to disburse the proceeds of the Credit allocated under Category (9) of the table set forth in the Attachment to this Amending Agreement for Part E of the Project, directly to the LC Bank (as hereinafter defined) or, if the Association Supported Letter of Credit is no longer in effect, directly to UMEME Limited for deposit in the escrow account established under the Escrow Agreement (as hereinafter defined), notwithstanding any subsequent suspension or cancellation of any amount of the Credit by the Borrower or the Association; and

WHEREAS the Association has agreed on the basis, *inter alia*, of the foregoing, to provide such assistance to the Borrower, upon the terms and conditions set forth in this Amending Agreement (as hereinafter defined);

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

Definitions

Section 1.01. Wherever used in this Amending Agreement, unless the context otherwise requires, the several terms defined in the Credit Agreement, as amended by this Amending Agreement, have the respective meanings therein set forth.

ARTICLE II

Amendments to the Development Credit Agreement

Section 2.01. Section 1.01 of the Credit Agreement, is amended by: (a) striking the Section in its entirety; and (b) inserting a new Section 1.01 to read as follows:

“Section 1.01. The “General Conditions Applicable to Development Credit Agreements” of the Association, dated January 1, 1985 (as amended through October 6, 1999) (the General Conditions), with the modifications set forth below (the General Conditions) constitute an integral part of this Agreement:

“(a) Section 5.03 is amended by deleting the word ‘promptly’ in the last sentence thereof.

(b) Section 6.01 is amended to read as follows:

“The Borrower may, by notice to the Association, cancel any amount of the Credit which the Borrower shall not have withdrawn, except that the Borrower may not so cancel: (i) any amount of the Credit in respect of which the Association shall have entered into a special commitment pursuant to Section 5.02; and (ii) prior to the Closing Date, any amount of the Credit allocated under Category (9) of the table set forth in the Attachment to this Amending Agreement, unless: (A) for so long as the Association Supported Letter of Credit is in force and effect, the LC Bank shall otherwise agree in writing, or (B) if the Association Supported Letter of Credit is not in force and effect, for so long as the Escrow Agreement is in force and effect, UMEME Limited shall otherwise agree in writing;”

- (c) Section 6.04 is amended to read as follows:

“No reallocation, cancellation or suspension by the Association shall apply: (i) to any amount of the Credit subject to any special commitment entered into by the Association pursuant to Section 5.02 except as expressly provided in such commitment; and (ii) to any amount of the Credit allocated under Category (9) of the table set forth in the Attachment to this Amending Agreement for Part E of the Project, before the Closing Date or such other date by which: (A) for so long as the Association Supported Letter of Credit is in force and effect, the LC Bank, or (B) if the Association Supported Letter of Credit is not in force and effect, for so long as the Escrow Agreement is in force and effect, UMEME Limited, shall have confirmed the full discharge of UEDCL’s obligations supported by the Credit allocated under Category (9) of the table set forth in the Attachment to this Amending Agreement for Part E of the Project, or upon receipt of evidence satisfactory to the Association of such discharge.”

Section 2.02. Section 1.02 of the Credit Agreement is amended by:

- and
- (a) Striking the period at the end of paragraph (i) and inserting a semicolon;
- (b) inserting the following paragraphs (j) through (x) to read as follows:

“(j) “Amending Agreement” means this Agreement Amending the Development Credit Agreement between the Borrower and the Association, dated December 18, 2000;

(k) “Association Covered Event” means a specified event , the occurrence of which entitles UMEME Limited to draw on the Association Supported Letter of Credit;

(l) “Association Supported Letter of Credit” means the standby letter of credit issued by the LC Bank (as hereinafter defined) in favor of UMEME Limited, supported by the Association pursuant to the IDA Commitment Agreement (as hereinafter defined) and which forms Part E of the Project;

(m) “Escrow Agreement” means the agreement dated on or about the date hereof, between UMEME Limited, UEDCL and the Escrow Agent;

(n) “Lease and Assignment Agreement” means a Privatization Agreement (as hereinafter defined), setting forth, *inter alia*, the terms and conditions for assignment to Umeme Limited (as hereinafter defined) of the Distribution System;

(o) “LC Bank” means Citibank Uganda Limited, a financial institution incorporated under the laws of the Borrower, and its successors and permitted assigns in its capacity as the issuer of the Association Supported Letter of Credit;

(p) “IDA Commitment Agreement” means the agreement between the Association and the LC Bank dated on or about the date hereof setting forth the terms and conditions of IDA’s obligations to repay the LC Bank certain amounts owed by UEDCL to the LC Bank under the Reimbursement and Credit Agreement;

(q) “Privatization Agreements” means the Support Agreement, the Lease and Assignment Agreement, and the Power Sales Agreement;

(r) “Project Agreement” means the agreement between the Association and UMEME Limited of even date herewith, as the same may be amended from time to time, and such term includes all schedules and agreements supplemental to the Project Agreement;

(s) “Power Sales Agreement” means an agreement dated May 17, 2004, between UETCL and UMEME Limited;

(t) “UMEME Limited” means a private limited liability company incorporated under the laws of Uganda, and having its registered office at

the following address: SM Chambers, 36 Nile Avenue, Kampala, Uganda;

(u) “Uganda Electricity Distribution Company” and “UEDCL” mean a public limited liability company established under the Companies Act (Chapter 110) of the laws of the Borrower, pursuant to the provisions of the Public Enterprises Reform and Divestiture Statute (Chapter 98) of the laws of the Borrower;

(v) “Uganda Electricity Transmission Company Limited” and “UETCL” mean a public limited liability company established under the Companies Act (Chapter 110) of the laws of the Borrower, pursuant to the provisions of the Public Enterprises Reform and Divestiture Act (Chapter 98) of the laws of the Borrower;

(w) “Reimbursement and Credit Agreement” means an agreement dated on or about the date hereof, between UEDCL and the LC Bank providing for UEDCL’s obligation to repay the LC Bank the amount of any drawing of the Association Supported Letter of Credit; and

(x) “Support Agreement” means an agreement dated May 17, 2004 between the Government and UMEME Limited.”

Section 2.03. A new Section 2.09 is inserted to read as follows:

“Section 2.09. (a) For so long as the Association Supported Letter of Credit is in force and effect, the LC Bank, and (b) if the Association Supported Letter of Credit is not in force and effect, for so long as the Escrow Agreement is in force and effect, UMEME Limited, are each designated as the sole representative of the Borrower for the purposes of taking any action required or permitted to be taken under the provisions of Section 2.02 of this Agreement and Article V of the General Conditions in respect of Category (9) of the table set forth in Schedule 1 to this Agreement. Unless the LC Bank or UMEME Limited, as the case may be, shall otherwise agree, the Borrower shall not cancel such designation until the LC Bank or UMEME Limited, respectively, shall have in writing discharged UEDCL of its obligations under the Reimbursement and Credit Agreement, or UEDCL of its obligations under the Escrow Agreement; any such cancellation to be effective upon receipt of evidence satisfactory to the Association of such discharge.”

Section 2.04. A new Section 3.04 is inserted to read as follows:

“Section 3.04 (a) The Borrower shall:

(i) take and cause UMEME Limited to take all action pursuant to the Privatization Agreements, which shall be necessary under the environmental laws of the Borrower;

(ii) ensure, in the event that environmental assessments shall be required for implementation of the Project, that: (A) an appropriate environmental management plan is prepared, in form and substance satisfactory to the Association, and (B) such environmental assessments are formulated and implemented with the full participation of the local communities, in accordance with an appropriate environmental management plan, and in compliance with the applicable legislation of the Borrower, to identify potential environmental and social adverse effects and offset, reduce and/or mitigate them; and

(iii) maintain policies and procedures adequate to enable it to monitor and evaluate, in accordance with guidelines acceptable to the Association, the implementation of any environmental management plan, which may be prepared pursuant to paragraph (ii) (A) of this Section.”

“(b) The Borrower shall cause UEDCL: (i) except as the Association shall otherwise agree, not to amend, modify, change, vary, abrogate, waive, or permit to be amended, modified, changed, varied, abrogated or waived, the Association Supported Letter of Credit or the Reimbursement and Credit Agreement, or any provision thereof, in a manner which, in the opinion of the Association, may materially and adversely affect any rights of the Association under the IDA Commitment Agreement; and (ii) to adequately notify and obtain prior approval of the Association, in the event that it shall be deemed necessary and appropriate to amend, modify, change, vary, abrogate, or waive any provision of the Association Supported Letter of Credit or the Reimbursement and Credit Agreement.”

Section 2.05. The table set forth in paragraph 1 of Schedule 1 to the Credit Agreement is amended by: (a) striking the table in its entirety; and (b) inserting the table set forth in the Attachment to this Amending Agreement.

Section 2.06. Paragraph 3 of Schedule 1 to the Credit Agreement is amended to read as follows:

“3. Notwithstanding the provisions of paragraph 1 of this Schedule 1:

(a) no withdrawal shall be made in respect of payments made for expenditures prior to the date of this Agreement;

(b) no withdrawals shall be made in respect of payments for expenditures in respect of Category (9) for Part E of the Project unless: (i) for so long as the Association Supported Letter of Credit is in force and effect, the Association has received a withdrawal application in the form of a Demand from the LC Bank or its authorized agent made in accordance with the IDA Commitment Agreement, or (ii), if the Association Supported Letter of Credit is not in force and effect, for so long as the Escrow Agreement is in force and effect, the Association has received a withdrawal application in the form of a Demand in the form set forth in the Project Agreement from UMEME Limited or its authorized agent made in accordance with the terms and conditions of the Escrow Agreement; and

(c) in the event that the expenditures for Part E of the Project, shall exceed the amount allocated under Category (9) as set forth in the table in paragraph 1 to this Schedule as a result of the appreciation of the dollar against SDR, any such expenditure shall be paid by an increase of the amount of the Credit referred to in Section 2.01 of the Credit Agreement in such amount as shall be necessary to pay fully the remaining amount of such expenditure.”

Section 2.07. Schedule 2 to the Credit Agreement is amended by inserting a new Part E to read as follows:

“Part E: Association Supported Letter of Credit

Supporting concessioning of UEDCL distribution assets to UMEME Limited, through: (i) the provision of the Association Supported Letter of Credit and in accordance with the terms and conditions of the IDA Commitment Agreement, for the benefit of UMEME Limited upon the occurrence of certain events for which the Privatization Agreements require UEDCL payments to UMEME Limited; and (ii) the provision of funding in the Escrow Account in event that the Association Supported Letter of Credit ceases to be in full force and effect.”

ARTICLE III

Effective Date; Termination

Section 3.01. This Amending Agreement shall not become effective until an opinion or opinions satisfactory to the Association, shall have been furnished to the Association showing, on behalf of the Borrower, that this Amending Agreement has been duly authorized or ratified by, and executed and delivered on behalf of the Borrower and is legally binding upon the Borrower in accordance with its terms.

Section 3.02. The following is specified as an additional matter, within the meaning of Section 12.02 (b) of the General Conditions, to be included in the opinion or opinions to be furnished to the Association, namely, that UEDCL has been duly authorized to act in respect to Escrow Agreement, the Reimbursement and Credit Agreement and the Lease and Assignment Agreement as amended, and that the Escrow Agreement, Reimbursement and Credit Agreement and the Lease and Assignment Agreement as amended, respectively, have been authorized and ratified by UEDCL, and are legally binding upon UEDCL in accordance with their terms.

Section 3.03. This Amending Agreement shall come into force and effect on the date upon which the Association shall dispatch to the Borrower notice of its acceptance of the evidence required by Section 3.01 of this Amending Agreement.

Section 3.04. If this Amending Agreement shall not come into force and effect by a date ninety (90) days after the date of this Amending Agreement, this Amending Agreement and all obligations of the parties hereunder shall terminate, unless the Association establishes a later date for the purposes of this Section. If this Amending Agreement shall terminate under the provisions of this Section, the Credit Agreement shall continue in full force and effect, as if this Amending Agreement had not been executed.

IN WITNESS WHEREOF, the parties hereto, acting through their duly authorized representatives, have caused this Amending Agreement to be signed in their respective names in Kampala, Uganda, as of the day and year first above written.

THE REPUBLIC OF UGANDA

By

/s/ Ezra Suruma
Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By

/s/ Judy O'Connor
Authorized Representative

SCHEDULE 1

Withdrawal of the Proceeds of the Credit

1. The table below sets forth the Categories of items to be financed out of the proceeds of the Credit, the allocation of the amounts of the Credit to each Category and the percentage of expenditures for items to be financed in each Category:

<u>Category</u>	<u>Amount of the Credit Allocated (Expressed in SDR Equivalent)</u>	<u>% of Expenditures to be Financed</u>
(1) Goods:	870,000	90%
(2) Consultants' services	17,050,000	100%
(3) Training	3,130,000	100%
(4) Severance payments	6,330,000	100% of expenditures incurred
(5) Operating Costs:		90%
(a) for PCU	2,690,000	
(b) for regulatory agencies	400,000	
(6) Refunding of Project Preparation Advance	129,835	Amount due pursuant to Section 2.02(c) of this Agreement
(7) Unallocated	0	

<u>Category</u>	<u>Amount of the Credit Allocated (Expressed in SDR Equivalent)</u>	<u>% of Expenditures to be Financed</u>
(8) Audits	125,000	
(9) Association Supported Letter of Credit	5,475,165	100% of the amount covered
TOTAL	<u>=====</u> <u>36,200,000</u>	