

Public Disclosure Authorized

CONFORMED COPY

CREDIT NUMBER 4554-UG

Financing Agreement

(Energy for Rural Transformation Project II)

between

THE REPUBLIC OF UGANDA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated August 27, 2009

CREDIT NUMBER 4554 -UG

FINANCING AGREEMENT

AGREEMENT dated August 27, 2009, entered into between THE REPUBLIC OF UGANDA (“Recipient”) and the 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 forty nine million five hundred thousand Special Drawing Rights (SDR 49,500,000) (variously, “Credit” and “Financing”) to assist in financing the project described in Schedule 1 to this Agreement (“Project”).
- 2.02. The Recipient may withdraw the proceeds of the Financing in accordance with Section IV of Schedule 2 to this Agreement.
- 2.03. The Maximum Commitment Charge Rate payable by the Recipient on the Unwithdrawn Financing Balance shall be one-half of one percent (1/2 of 1%) per annum.
- 2.04. The Service Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to three-fourths of one percent (3/4 of 1%) per annum.
- 2.05. The Payment Dates are March 15 and September 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 Dollars.

ARTICLE III — PROJECT

- 3.01. The Recipient declares its commitment to the objectives of the Project and the Program. To this end, the Recipient shall carry out Part 1 of the Project through REA and Part 4 of the Project through its ministries responsible for energy, finance, health, education, water, agriculture and local government, and shall cause Parts 2, 3 and 5 of the Project to be carried out by UECC, UCC and PSFU, respectively, in accordance with the provisions of Article IV of the General Conditions and the Project Agreements.
- 3.02. Without limitation upon the provisions of Section 3.01 of this Agreement, and except as the Recipient and the Association shall otherwise agree, the Recipient shall ensure that the Project is carried out in accordance with the provisions of Schedule 2 to this Agreement.

ARTICLE IV — REMEDIES OF THE ASSOCIATION

- 4.01. The Additional Events of Suspension consist of the following:
- (a) A situation has arisen which shall make it improbable that the Program, or significant part thereof, will be carried out.
 - (b)
 - (i) Subject to sub-paragraph (ii) of this paragraph, the right of the Recipient to withdraw the proceeds of the GEF Grant has been suspended, cancelled or terminated in whole or in part, pursuant to the terms of the GEF Grant Agreement.
 - (ii) Sub-paragraph (i) of this paragraph shall not apply if the Recipient establishes to the satisfaction of the Association that: (A) such suspension, cancellation or termination was not caused by the failure of the Recipient to perform any of its obligations under the GEF Grant Agreement; and (B) adequate funds for the Project are available from other sources on terms and conditions consistent with the Recipient's obligations under this Agreement.

ARTICLE V — EFFECTIVENESS; TERMINATION

- 5.01. The Additional Conditions of Effectiveness consist of the following:
- (a) Each of the Subsidiary Agreements has been executed on behalf of the Recipient and the Project Implementing Entity which is a party to such agreement.

- (b) The GEF Grant Agreement has been executed and delivered, and all conditions precedent to its effectiveness or to the right of the Recipient to make withdrawals under it (other than the effectiveness of this Agreement) has been fulfilled.
 - (c) The Recipient, through MEMD, has issued Accountability Instructions referred to in Section I.B.3 of Schedule 2 to this Agreement, in form and substance satisfactory to the Association.
 - (d) The Project Operational Manual referred to in Section I.B.1 of Schedule 2 to this Agreement has been adopted, in form and substance satisfactory to the Association.
- 5.02. The Additional Legal Matter consists of the following, namely that, each Subsidiary Agreement has been duly authorized or ratified by the Recipient and the Project Implementing Entity and is legally binding upon the Recipient and the Project Implementing Entity in accordance with its terms.
- 5.03. The Effectiveness Deadline is the date ninety (90) days after the date of this Agreement.

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
Uganda

Facsimile:

256 (0)41- 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
Washington, D.C.

248423 (MCI)

1-202-477-6391

AGREED at Kampala, Republic of Uganda, as of the day and year first above written.

THE REPUBLIC OF UGANDA

By /s/ Syda N. M. Bbumba

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Kundhavi Kadiresan

Authorized Representative

SCHEDULE 1

Project Description

The objective of the Project is to increase access to energy, and information and communication technologies (ICT) in rural Uganda.

The Project constitutes the second phase of the Program, and consists of the following parts:

Part 1: Rural Energy Infrastructure

(a) Publicly Funded Grid Related Power Supply

Carrying out of publicly funded rural electrification investment schemes for the generation and supply of power through the main grid or independent grid systems.

(b) Off Grid Renewable Energy Investments

Provision of REA Subgrants to REA Eligible Enterprises for: (i) installation by REA Eligible Enterprises of solar photo-voltaic systems for use by rural enterprises and in homes; and (ii) construction of independent mini grids with renewable energy power supply.

(c) Technical Assistance

Provision of technical assistance to REA for the design, implementation, monitoring, and evaluation of grid-related and solar photo-voltaic energy systems.

Part 2: Credit Support Facility

(a) Establishment of a Credit Support Facility to support and facilitate the provision by PFIs of long term financing to CSF Eligible Enterprises carrying out CSF Subprojects.

(b) Provision of technical assistance to support the operationalization of the UECC, and thereafter strengthen the capacity of PFIs and CSF Eligible Enterprises to appraise or implement the CSF Subprojects.

Part 3: ICT Infrastructure in the Rural Areas

(a) Installation, operation and maintenance of ICT infrastructure in commercially non-viable rural areas of the Recipient's territory, including construction

of: (i) at least 550 community information centers in underserved sub-counties; (ii) battery charging facilities for the community information centers constructed under ERT I; and (iii) last mile broadband internet connection in at least 16 sub-counties.

- (b) Provision of internet access and computer equipment to selected schools and health facilities, including provision for maintenance of the equipment.
- (c) Development and dissemination in electronic form of tailor-made information packages in local languages for traders, teachers, health workers and/ or farmers.
- (d) Provision of technical assistance to support the UCC in the implementation of its Respective Part of the Project, including, in the design of on-going and new programs, dissemination of information, Training of staff, monitoring and evaluation.

Part 4: Energy Development, Cross-Sectoral Links, and Impact Monitoring

Support to the Recipient's ministries responsible for energy, health, education, water, agriculture, finance and local government consisting of:

- (a) support for the installation and maintenance of appropriate energy packages designed to address energy needs in rural facilities;
- (b) provision of technical assistance and financing Operating Costs to assist with the preparation and carrying out of appropriate energy packages designed to address energy needs in rural facilities;
- (c). provision of technical assistance and financing Operating Costs to assist in the monitoring of the poverty impacts of project investments; and
- (d) carrying out a program of capacity development and Training for the said ministries to further promote access to energy and ICT in rural areas, including support towards information dissemination, monitoring and evaluation of the Project.

Part 5: Private Sector Foundation Uganda

Provision of technical assistance and Training, and financing of Operating Costs, for the benefit of potential rural and/or renewable energy investment sponsors, financial institutions, technical institutions and other agencies, aimed at enhancing their business development capacities, including strengthening of rural enterprise development services through carrying out feasibility studies , market studies and financial engineering.

SCHEDULE 2**Project Execution****Section I. Implementation Arrangements****A. Institutional Arrangements**PCU and REA

The Recipient shall, at all times during Project implementation, maintain the PCU and REA with composition, mandate and resources satisfactory to the Association. To this end, the PCU shall be responsible for overall coordination of the Project.

B. Implementation Covenants1. Project Operational Manual

The Recipient:

- (a) shall adopt a Project Operational Manual, in form and substance satisfactory to the Association;
- (b) shall ensure that the Project is carried out in accordance with the Project Operational Manual; provided, however, that in case of any conflict between the provisions of the Project Operational Manual and those of this Agreement, the latter shall prevail; and
- (c) except as the Recipient and the Association shall otherwise agree in writing, shall not amend or waive any provision of the Project Operational Manual if, in the opinion of the Association, such amendment or waiver may materially and adversely affect the carrying out of the Project or the achievement of the objectives thereof.

2. CSF Operational Manual

The Recipient shall ensure that:

- (a) UECC shall adopt a CSF Operational Manual, in form and substance satisfactory to the Association;
- (b) Part 2 of the Project is implemented in accordance with the CSF Operational Manual, provided, however, that in case of any conflict

between the provisions of the CSF Operational Manual and those of this Agreement, the latter shall prevail; and

- (c) except as the Recipient and the Association shall otherwise agree in writing, neither the Recipient nor the UECC shall amend or waive any provision of the CSF Operational Manual if, in the opinion of the Association, such amendment or waiver may materially and adversely affect the carrying out of the Project or the achievement of the objectives thereof.

3. Accountability Instructions

- (a) The Recipient, through MEMD, shall issue Accountability Instructions, in form and substance satisfactory to the Association, for the implementation of Part 4 of the Project by each of its ministries responsible for energy, health, education, water, agriculture, finance and local government. The Accountability Instructions shall stipulate the respective roles and responsibilities of the said ministries, and arrangements for implementation and reporting of the activities carried out by each of the ministries.
- (b) To this end, the Recipient shall ensure that:
 - (i) Part 4 of the Project is carried out in accordance with the respective Accountability Instructions; and
 - (ii) except as the Recipient and the Association shall otherwise agree in writing, neither the Recipient nor MEMD shall amend or waive any provision of the Accountability Instructions if, in the opinion of the Association, such amendment or waiver may materially and adversely affect the carrying out of the Project or the achievement of the objectives thereof.

C. Subsidiary Agreement

1. To facilitate the carrying out of each Project Implementing Entity's Respective Part of the Project, the Recipient shall make such Project Implementing Entity's respective Subsidiary Financing available to it on grant terms under a subsidiary agreement ("Subsidiary Agreement") between the Recipient and such Project Implementing Entity, and under such other terms and conditions as shall be approved by the Association.
2. The Recipient shall exercise its rights under the Subsidiary Agreements 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 the Subsidiary Agreements or any of their provisions.

D Anti-Corruption

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

E. Environmental and Social Safeguards

1. Without limitation on the provisions of Section 4.01 (b) of the General Conditions, the Recipient shall ensure that the Project is carried out in accordance with the provisions of the ESMF and the RPF, and, except as the Association shall otherwise agree in writing, the Recipient shall not amend or waive any provision of the ESMF and the RPF.
2. The Recipient shall ensure that the Project Reports referred to in Section II of this Schedule shall include adequate information on the status of compliance with the ESMF, RPF, and EMPs and RAPs, giving details of:
 - (a) measures taken in furtherance of such ESMF, RPF, and EMPs and RAPs;
 - (b) conditions, if any, which interfere or threaten to interfere with the smooth implementation of such ESMF, RPF, and EMPs and RAPs; and
 - (c) remedial measures taken or required to be taken to address such conditions.
3. The Recipient shall ensure that, in the case of any investment under the Project involving the construction or rehabilitation of one or more dams, arrangements acceptable to the Recipient and the Association shall be developed and implemented to ensure the quality and safety of the dam and of downstream life, property and activities, in accordance with policies and procedures satisfactory to the Association, including, if required by the Association, an inspection and comprehensive safety evaluation of the dams, and development of an appropriate emergency preparedness plan for the dams.

F. REA Subprojects

1. Preparation. The Recipient shall ensure that each REA Subproject shall be prepared in accordance with guidelines acceptable to the Association and the Project Operational Manual, including the requirement that the Recipient, through REA, shall prepare and furnish to the Association, for its review, an appraisal report for each investment subproject proposal to be included as a REA Subproject.

2. Eligibility Criteria. Each such subproject proposal shall qualify as a REA Subproject eligible for support out of the proceeds of the Financing only if and to the extent the Recipient, through REA, has demonstrated to the satisfaction of the Association, on the basis of the appraisal report referred to above in paragraph 1 of this Section, that the subproject proposal meets the conditions set forth below in this paragraph and the Project Operational Manual, and the Association has communicated to the Recipient its approval of the subproject proposal:
- (a) **Technical:** It is an investment in the supply of solar photovoltaic systems to commercial, institutional, or household customers or an investment in off-grid mini-hydro power projects.
 - (b) **Safeguards:** It has been prepared on the basis of an environmental assessment satisfactory to the Association, and is in compliance with environmental and social policies and standards acceptable to the Association (including the ESMF and RPF), and with all applicable laws and regulations of the Recipient relating to health, safety and environmental protection; and in particular:
 - (i) it is designed to avoid or minimize any involuntary resettlement of persons or loss of their income or productive capacity; provided, however, that, if the proposed REA Subproject would nevertheless require any acquisition of land that would involve any such resettlement or loss, a RAP: (A) has been developed in accordance with the RPF, and in a manner designed to ensure they share in the REA Subproject's benefits and to improve or at least restore their livelihoods and standards of living in real terms relative to pre-displacement levels or to levels prevailing prior to the beginning of project implementation (whichever is higher); and (B) has been approved by the Association;
 - (ii) if it involves the construction or rehabilitation of one or more dams, arrangements acceptable to the Recipient and the Association shall be developed and implemented to ensure the quality and safety of the dam and of downstream life, property and activities, in accordance with policies and procedures satisfactory to the Association, including, if required by the Association, an inspection and comprehensive safety evaluation of the dams, and development of an appropriate emergency preparedness plan for the dams.
3. REA Subgrant Agreements. The Recipient shall ensure that each REA Subgrant is made under a REA Subgrant Agreement on terms and conditions acceptable to the Association, which shall include the following:

- (a) **Remedies:** The Recipient shall have the right to suspend or terminate the right of the REA Eligible Enterprise to use the proceeds of the REA Subgrant, and to obtain a refund of all or any part of the amount of the REA Subgrant then withdrawn, as the case may be, upon the REA Eligible Enterprise's failure to perform any of its obligations under the REA Subgrant Agreement.
- (b) **Undertakings:** The Recipient shall have the right to require each REA Eligible Enterprise to:
 - (i) carry out the REA 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: (A) the provisions of the Anti-Corruption Guidelines applicable to recipients of Financing proceeds other than the Recipient; and (B) the ESMF and RPF, and any EMP or RAP that may be required thereunder;
 - (ii) provide, promptly as needed, the resources required for the purpose;
 - (iii) procure the goods, works and services to be financed out of the REA Subgrant in accordance with the provisions of this Agreement;
 - (iv) maintain policies and procedures adequate to enable it to monitor and evaluate in accordance with indicators acceptable to the Association, the progress of the REA Subproject and the achievement of its objectives;
 - (v) (A) 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 REA Subproject; and (B) at the Recipient's and the Association'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 (as the case may be);

- (vi) enable the Recipient and the Association to inspect the REA Subproject, its operation and any relevant records and documents; and
 - (vii) prepare and furnish to the Association and REA all such information as the Recipient or the Association shall reasonably request relating to the foregoing.
4. Exercise of Rights under REA Subgrant Agreements. The Recipient shall exercise its rights under each REA Subgrant 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 in writing, the Recipient shall not assign, amend, abrogate or waive any REA Subgrant Agreement or any of its provisions.

G Credit Support Facility under Part 2 of the Project

1. Selection of Participating Financial Intermediaries

UECC shall select financial institutions in consultation with the Association, for participation under Part 2 of the Project, based on criteria specified in the CSF Operations Manual which shall at least include the requirement that the PFI has been rated satisfactory by the Bank of Uganda.

2. Participation Agreements

- (a) To facilitate the carrying out of Part 2 (a) of the Project, UECC shall make available a portion of the proceeds of the Financing to eligible PFIs under separate Participation Agreements to be entered into between UECC and each of the Participating Financial Intermediaries, and under terms and conditions specified in this Agreement and the CSF Operational Manual, including the following:
 - (i) the proceeds of Financing shall be made available to PFIs in the form of Participation Loans, Standby Liquidity Options or Partial Risk Guarantees;
 - (ii) a Participation Loan shall be available to finance part of the cost of CSF Subprojects on a reimbursement basis, using the Refinance Option;
 - (iii) the maturity period of a Participation Loan shall not exceed: (A) that of the matching Approved PFI Loan; or (B) in the case of a Participation Loan triggered by the exercise of a Standby Liquidity Option, the original maturity period of the Approved PFI Loan, but in no case longer than seven (7) years.;

- (iv) a Standby Liquidity Option shall be available at the option of the PFI to enable the PFI to access a Participation Loan at a future date in the event of its inability due to lack of liquidity to refinance an existing Approved PFI Loan or to extend its life on its maturity;
 - (v) a Partial Risk Guarantee shall be available to the PFI to provide partial insurance cover against one or more forms of Eligible Risks;
 - (vi) except as otherwise agreed in writing by the Association and the UECC, no proposed PFI Loan exceeding \$10 million shall be eligible for an Approved PFI Loan; and
 - (vii) any proposed PFI loan exceeding \$250,000 shall be subject to the prior written approval of the Association.
- (b) UECC shall obtain rights adequate to protect its interests and those of the Recipient and the Association, including the right to:
- (i) suspend or terminate the right of the PFI to use the proceeds of the Financing, or to obtain a refund of all or any part of the amount of the Financing then withdrawn, as the case may be, upon the PFI's failure to perform any of its obligations under the Participation Agreement; and
 - (ii) require each PFI to: (A) ensure that all CSF Subprojects are carried out 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 loan proceeds other than the Recipient; (B) provide, promptly as needed, the resources required for the purpose; (C) ensure that each REA Eligible Enterprise procures the goods, works and services to be financed out of the Approved PFI Loan in accordance with established private sector or commercial practices acceptable to the Association; (D) ensure that each REA Eligible Enterprise maintains policies and procedures adequate to enable UECC to monitor and evaluate in accordance with indicators acceptable to the Association, the progress of the CSF Subprojects and the achievement of its objectives; (E) (1) ensure that each REA Eligible Enterprise maintains a financial management system and prepares 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 CSF 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 Association and UECC to inspect the CSF Subprojects, their operation and any relevant records and documents; and (G) prepare and furnish to the Association and UECC all such information as the Recipient or the Association shall reasonably request relating to the foregoing.

3. Contingency Account

UECC shall:

- (a) open and maintain, on terms and conditions acceptable to the Association, an interest bearing Dollar or Uganda Shilling denominated account ("Contingency Account") in a commercial bank acceptable to the Association for any Standby Liquidity Option and/or Partial Risk Guarantee offered pursuant to a Participation Agreement;
- (b) upon approval by the Association of a Participation Agreement, transfer out of the proceeds of the UECC Subsidiary Financing and into the relevant Contingency Account a pre-determined percentage-based amount deemed sufficient along with the interest income referred to in subparagraph (c) of this paragraph to fully fund any Standby Liquidity Option and/or Partial Risk Guarantee;
- (c) ensure that any interest income earned on principal in the Contingency Account is retained in the Contingency Account and thereafter aggregated to principal to be used to cover the Standby Liquidity Option and/or Partial Risk Guarantee; and
- (d) ensure that any unused funds left over in the Contingency Account shall not be reallocated or otherwise disposed of until after the exercise or expiration of the Standby Liquidity Option, or the expiration of the Partial Risk Guarantee, but subject to full settlement of any amount due or outstanding under the Partial Risk Guarantee, as the case may be, and in accordance with the terms and conditions set forth in the CSF Operational Manual.

4. Eligibility Criteria for CSF Subprojects

Each CSF Subproject shall be eligible for financing out of the proceeds of the Financing only if, and to the extent that, UECC and the PFI have demonstrated to the satisfaction of the Association, on the basis of an appraisal report that the CSF Subproject meets the conditions set forth below and in the CSF Operational Manual, and the Association has communicated to the Recipient and the UECC its approval of the said CSF Subproject:

- (a) except as otherwise agreed in writing by the Association and the UECC, the CSF Subproject reckons an estimated economic rate of return of not less than 10%, and a projected debt service cover ratio of at least 1.5; and
- (b) Safeguards: it satisfies the safeguard provisions set forth in Section I.F.2 (b) of Schedule 2 to this Agreement, in relation to REA Subprojects.

5. CSF Subloan Agreements

The Recipient shall ensure that each Approved PFI Loan is made under a CSF Subloan Agreement on terms and conditions acceptable to the Association, and, except as the Association shall otherwise agree in writing, the PFIs shall not assign, amend, abrogate or waive any provisions of the CSF Subloan Agreement, as the case may be.

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports

- 1. (a) 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 below in sub-paragraph (b) of this paragraph. Each Project Report shall cover the period of one calendar quarter, 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) The performance indicators referred to above in sub-paragraph (a) consist of the following:
 - (i) Percentage of rural population with access to electricity in project areas (rural electrification rate).
 - (ii) Percentage of geographical area with access to modern ICT services.

- (iii) Megawatts of additional power generation from renewable sources.
 - (iv) Tons of carbon dioxide emissions reduced/avoided as a result of the project.
2. For purposes of Section 4.08 (c) of the General Conditions, the report on the execution of the Project and related plan required pursuant to that Section shall be furnished to the Association not later than six months before Closing Date.

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 days (45) 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 months after the end of such period.

Section III. Procurement

A. General

1. Goods and Works. All goods and works 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 the Procurement Guidelines, or Consultant Guidelines, as the case may be.

B. Particular Methods of Procurement of Goods and Works

1. International Competitive Bidding. Except as otherwise provided in paragraph 2 below, goods and works shall be procured under contracts awarded on the basis of International Competitive Bidding.
2. Other Methods of Procurement of Goods and Works. The following table specifies the methods of procurement, other than International Competitive Bidding, which may be used for goods and works. The Procurement Plan shall specify the circumstances under which such methods may be used:

| Procurement Method |
|-----------------------------------|
| (a) National Competitive Bidding |
| (b) Shopping |
| (c) Direct Contracting |
| (d) Limited International Bidding |

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 table specifies methods of procurement, other than Quality and Cost-based Selection, which may be used for consultants’ services. The Procurement Plan shall specify the circumstances under which such methods may be used.

| Procurement Method |
|---|
| (a) Quality Based Selection |
| (b) Least Cost Selection |
| (c) Selection Based on Consultants’ Qualifications |
| (d) Procedures set forth in paragraphs 5.2 and 5.3 of the Consultant Guidelines for selection of Individual Consultants |
| (e) Single Source Selection |
| (f) Sole 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 Credit to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category:

| Category | Amount of the Credit Allocated (expressed in SDR) | Percentage of Expenditures to be Financed (inclusive of Taxes) |
|--|---|--|
| (1) <u>REA</u> (a) Goods, works consultants' services and Training for Part 1(a) and (c) of the Project (b) REA Subprojects under Part 1(b) of the Project | 17,200,000 5,000,000 | 100% 100% of eligible grant amount |
| (2) <u>UECC</u> (a) Credit Support Facility under Part 2(a) of the Project (b) Technical Assistance for Part 2(b) of the Project. | 2,000,000 300,000 | 100% of UECC's agreed percentage contributions to the Approved PFI Loans 100% |
| (3) <u>UCC</u> Goods, Works, Consultant's Services and Training under Part 3 of the Project | 5,300,000 | 87% |
| (4) <u>Cross Sectoral Linkages</u> Goods, works, consultant's services, Training, and Operating Costs under Part 4 of the Project | 14,500,000 | 100% |
| (5) PSFU Technical assistance, Training and Operating Costs under Part 5 of the Project | 1,500,000 | 100% |
| (6) Unallocated | 3,700,000 | |
| TOTAL AMOUNT | 49,500,000 | |

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 \$7,500,000 equivalent may be made for payments made prior to this date but on or after January 1, 2009, for Eligible Expenditures under Category (1) (a), (2) (b), (3), (4) and (5); or
 - (b) under Category (2) (a) unless: (i) the UECC has been made operational and provided with the requisite staffing and other resources to carry out Part 2 of the Project; (ii) a CSF Operational Manual, in form and substance acceptable to the Association has been adopted; (iii) a financial and procurement capacity assessment of UECC, in form and substance satisfactory to the Association, has been undertaken; and (iv) in respect of each PFI, a Participation Agreement, approved by the Association, has been executed, in accordance with Section I.G.2 of Schedule 2 to this Agreement.
2. The Closing Date is June 30, 2013.

Section V. Other Undertakings

- A. The Recipient shall cause the Uganda Electricity Transmission Company Ltd to submit to the Energy Regulatory Authority the revised feed-in tariffs for small renewable energy power producers, satisfactory to the Association, by not later than February 28, 2010.
- B. The Recipient shall ensure that any unutilized remainder of the proceeds of the UECC Subsidiary Financing resulting from repayment of principal of Participation Loans or left over amounts in Contingency Accounts shall be reallocated to be used for the same purposes as in the case of the original proceeds or otherwise disposed of for such other productive purposes consistent with the purposes of the Project as may be agreed with Association.
- C. **Annual Work Plans and Budget**

The Recipient shall ensure that, as soon as available but in any case not later than one (1) month before the beginning of each fiscal year, the annual work plans and budgets for the Project are prepared and furnished to the Association of such scope and detail as the Association shall have reasonably requested.

SCHEDULE 3**Repayment Schedule**

| Date Payment Due | Principal Amount of the Credit repayable (expressed as a percentage)* |
|---|--|
| On each March 15 and September 15: | |
| commencing September 15, 2019 to and including March 15, 2029 | 1% |
| commencing September 15, 2029 to and including March 15, 2049 | 2% |

* The percentages represent the percentage of the principal amount of the Credit to be repaid, except as the Association may otherwise specify pursuant to Section 3.03 (b) of the General Conditions.

APPENDIX**Section I. Definitions**

1. “Accountability Instructions” means the instructions issued by the Recipient, through MEMD, in accordance with Section I.B.3 of Schedule 2 to this Agreement.
2. “Approved PFI Loan” means a loan made or to be made by a PFI to a CSF Eligible Enterprise pursuant to a CSF Subloan Agreement, and to be covered by a Participation Loan, Standby Liquidity Option or Partial Risk Guarantee.
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.
4. “Bank of Uganda” means the Recipient’s central bank.
5. “CSF” or “Credit Support Facility” means the facility described in greater detail in the CSF Operational Manual and which offers the provision by UECC to PFIs of a Participation Loan, Standby Liquidity Option or Partial Risk Guarantee to PFIs to facilitate, in each case, the making of an Approved PFI Loan.
6. “CSF Eligible Enterprise” means a private sector enterprise, operator or investor which has met the eligibility criteria set out in the CSF Operational Manual and to which a PFI proposes to make or has made an Approved PFI Loan.
7. “CSF Operational Manual” means the manual to be prepared and adopted by the UECC in accordance with Section IV.B.1 (b) of Schedule 2 to this Agreement and also referred to in Section I.B.2 of Schedule 2 to this Agreement, setting out policies (including eligibility criteria), procedures, terms and conditions and prudential management guidelines for the operation of the CSF.
8. “CSF Subloan Agreement” means an agreement between a PFI and a CSF Eligible Enterprise providing for an Approved PFI Loan for the purposes of a CSF Subproject.
9. “CSF Subproject” means a specific development investment project to be carried out by a CSF Eligible Enterprise for purposes of rural electrification or small scale power generation or installation of solar photo-voltaic systems and financed through an Approved PFI Loan, in accordance with the CSF Operational Manual.

10. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.
11. “Consultant Guidelines” means the “Guidelines: Selection and Employment of Consultants by World Bank Borrowers” published by the Bank in May 2004 and revised in October 2006.
12. “Displaced Person” means any person who, on account of the execution of the Project, has experienced or would experience direct economic and social impacts caused by: (a) the involuntary taking of land, resulting in: (i) relocation or loss of shelter; (ii) loss of assets or access to assets; or (iii) loss of income sources or means of livelihood, whether or not such person must move to another location; or (b) the involuntary restriction of access to legally designated parks and protected areas, resulting in adverse impacts on the livelihood of such person.
13. “EMP” or “Environmental Management Plan” means an Environmental Management Plan, acceptable to the Association and consistent with the ESMF, adopted for the purposes of a Subproject, and giving details of the specific actions, measures and policies designed to facilitate the achievement of the objectives of the ESMF under the Subproject, along with the procedural and institutional measures needed to implement such actions, measures and policies.
14. “ESMF” or “Environmental and Social Management Framework” means the Environmental and Social Management Framework, dated December 2006, adopted by the Recipient, giving details of a program of actions, measures and policies designed to maximize the benefits of the Project, eliminate, offset or mitigate any adverse environmental impacts, or reduce such impacts to acceptable levels, as such ESMF may be amended from time to time with the prior agreement of the Association, as updated to the date of this Agreement.
15. “ERT 1” means the Energy for Rural Transformation Project (APL), financed by the Association under the Development Credit Agreement No. 3588-UG dated December 20, 2001.
16. “Eligible Risk” means any risk involving or resulting in delays or failures in commissioning the CSF subproject, and which has the effect of reducing or impairing a CSF Eligible Enterprise’s ability to service the Approved PFI Loan, as such risk shall further be defined in the CSF Operational Manual.
17. “GEF Grant Agreement” means the agreement of the same date as this Agreement, between the Recipient and the International Bank for Reconstruction

and Development, acting as implementing Agency of the Global Environmental Facility, providing a grant for Parts 1, 2, 4 and 5 of the Project.

18. “GEF Grant” means the grant of nine million Dollars (\$9,000,000) provided to the Recipient under the GEF Grant Agreement.
19. “General Conditions” means the “International Development Association General Conditions for Credits and Grants”, dated July 1, 2005 (as amended through October 15, 2006), with the modifications set forth in Section II of this Appendix.
20. “ICT” means information and communication technologies.
21. “MEMD” means the Recipient’s ministry responsible for energy and mineral development.
22. “Operating Costs” means the incremental expenses, based on the annual budgets referred to in Section V.C of Schedule 2 to this Agreement as approved by the Association, incurred under the Project on account of office space rental, utilities and supplies, bank charges, communications, vehicle operation, maintenance, and insurance, building and equipment maintenance, public awareness-related media expenses, travel and supervision, salaries of support staff, but excluding salaries, fees, honoraria, and bonuses of members of the Recipient’s civil service.
23. “PCU” or “Project Coordination Unit” means the unit, established within MEMD and referred to in Section I.A. of Schedule 2 to this Agreement.
24. “PIE” or “Project Implementing Entity” means, individually, UECC, UCC or PSFU; “Project Implementing Entities” or “PIEs” means, collectively, UECC, UCC and PSFU.
25. “PFI” or “Participating Financial Intermediary” means, individually, a financial institution that has satisfied the eligibility criteria set forth in Section G.1 of Schedule 2 to this Agreement and in the CSF Operational Manual, with which UECC has entered into, or proposes to enter into, a Participation Agreement. “Participating Financial Intermediaries” or “PFIs” means, collectively, all such PFIs.
26. “PSFU” or “Private Sector Foundation Uganda” means a company limited by guarantee, incorporated on August 24, 1995, operating pursuant to the Recipient’s Companies Act, Chapter 110 of the Laws of Uganda.
27. “PSFU Project Agreement” means the project agreement of the same date as this Agreement between the Association and PSFU for the Project.

28. “PSFU Subsidiary Agreement” means the agreement pursuant to which the Recipient shall make the PSFU Subsidiary Financing available to PSFU.
29. “PSFU Subsidiary Financing” means such part of the proceeds of the Financing allocated from time to time to Part 5 of the Project.
30. “Partial Risk Guarantee” means a guarantee provided by UECC to a PFI pursuant to a Participation Agreement to reimburse, in part, losses incurred by such PFI in connection with an Approved PFI Loan and caused by Eligible Risks specified in the Participation Agreement and the CSF Operational Manual.
31. “Participation Agreement” means the agreement to be entered into between the UECC and a PFI and referred to in Section I.G.2 of Schedule 2 to this Agreement.
32. “Participation Loan” means a loan made by UECC to a PFI pursuant to a Participation Agreement for purposes of supporting an Approved PFI Loan, using the Refinance Option, and includes a Participation Loan triggered by the exercise of a Standby Liquidity Option; and “Participations Loans” means, collectively, all such Participation Loans.
33. “Procurement Guidelines” means the “Guidelines: Procurement under IBRD Loans and IDA Credits” published by the Bank in May 2004 and revised in October, 2006.
34. “Procurement Plan” means the Recipient’s procurement plan for the Project, dated February 13, 2009 and referred to in paragraph 1.16 of the Procurement Guidelines and paragraph 1.24 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.
35. “Program” means the program designed to reform and improve the provision of energy for the transformation of the rural sector of the Recipient’s economy and set forth or referred to in the letter dated April 4, 2001 from the Recipient to the Association.
36. “Project Agreement” means, individually, the UECC Project Agreement, the UCC Project Agreement or the PSFU Project Agreement; and “Project Agreements” means, collectively, the UECC Project Agreement, the UCC Project Agreement and the PSFU Project Agreement.
37. “Project Operational Manual” means the manual referred to in Section I.B.I of Schedule 2 to this Agreement, setting forth policies, procedures and institutional arrangements designed to ensure efficient and effective implementation of the Project (other than Part 2 thereof), including the finance

and accounting procedure manual, the environmental and social management manual, eligibility criteria for REA Subprojects and institutional arrangements designed to ensure the proper appraisal, approval and supervision of the REA Subprojects.

38. “RAP” or “Resettlement Action Plan” means a Resettlement Action Plan acceptable to the Association and consistent with the RPF, adopted for the purposes of a Subproject, and giving details of the specific actions, measures and policies designed to facilitate the achievement of the objectives of the RPF under the Subproject, along with the procedural and institutional measures needed to implement such actions, measures and policies.
39. “REA” or “Rural Electrification Agency” means the agency established pursuant to the Recipient’s Electricity (Establishment and Management of the Rural Electrification Fund) Instrument, Statutory Instrument No. 75 of 2001.
40. “REA Eligible Enterprise” means a private sector enterprise, operator or investor which has met the eligibility criteria set out in the Project Operational Manual, and to which the Recipient, through REA, proposes to make or has made, a REA Subgrant for the carrying out of a REA Subproject.
41. “REA Subgrant” means a grant made, or proposed to be made, out of a portion of the proceeds of the Financing for a REA Subproject.
42. “REA Subgrant Agreement” means the agreement between the Recipient, through REA, and a REA Eligible Enterprise providing a REA Subgrant under Part 1 (b) of the Project.
43. “REA Subproject” means a specific development project to be carried out by a REA Eligible Enterprise under Part 1(b) of the Project.
44. “RPF” or “Resettlement Policy Framework” means the Resettlement Policy Framework acceptable to the Association, dated October 2008, adopted by the Recipient, and giving details of provisions for compensation, rehabilitation and resettlement assistance to Displaced Persons, as such RPF may be amended from time to time in agreement with the Association.
45. “Refinance Option” means the mechanism provided by UECC under a Participation Agreement to enable a PFI to access the proceeds of a Participation Loan and match them with an Approved PFI Loan.
46. “Standby Liquidity Option” means an option provided by the UECC to a PFI under a Participation Agreement to allow the relevant PFI to access a Participation Loan at a future date, and referred to in Section I.G.2 of Schedule 2 to this Agreement.

47. “Subproject” means a CSF Subproject, a REA Subproject or any other investment package under the Project.
48. “Subsidiary Agreement” means individually the UECC Subsidiary Agreement or the UCC Subsidiary Agreement or the PSFU Subsidiary Agreement (as the context may require); and “Subsidiary Agreements” means collectively the UECC Subsidiary Agreement, UCC Subsidiary Agreement and PSFU Subsidiary Agreement.
49. “Subsidiary Financing” means individually the UECC Subsidiary Financing, or the UCC Subsidiary Financing or the PSFU Subsidiary Financing.
50. “Training” means the training of persons involved in Project-supported activities, based on the annual budgets referred to in Section V.C of Schedule 2 to this Agreement as approved by the Association, such term including seminars, workshops, and study tours, and costs associated with such activity include 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 course preparation and implementation.
51. “UCC” or “Uganda Communications Commission” means the Uganda Communications Commission established under, and operating pursuant to, the Uganda Communications Act, Chapter 106 of the Laws of Uganda.
52. “UCC Project Agreement” means the project agreement of the same date as this Agreement between the Association and UCC for the Project.
53. “UCC Subsidiary Agreement” means the Agreement pursuant to which the Recipient shall make the UCC Subsidiary Financing available to UCC.
54. “UCC Subsidiary Financing” means such part of the proceeds of the Financing allocated from time to time to Part 3 of the Project.
55. “UECC” means the Uganda Energy Credit Capitalisation Company Ltd, a state controlled company limited by guarantee incorporated on January 3, 2006, registration No. 78005, and operating pursuant to the Recipient’s Companies Act, Chapter 110 of the Laws of Uganda.
56. “UECC Project Agreement” means the project agreement of the same date as this Agreement between the Association and UECC for the Project.
57. “UECC Subsidiary Agreement” means the Agreement pursuant to which the Recipient shall make the UECC Subsidiary Financing available to UECC.

58. “UECC Subsidiary Financing” means such part of the proceeds of the Financing allocated from time to time to Part 2 of the Project.

Section II. Modifications to the General Conditions

The modifications to the General Conditions for Credits and Grants of the Association, dated July 1, 2005 (as amended through October 15, 2006) are as follows:

Paragraph (i) of Section 6.02 is modified to read as follows:

“Section 6.02. *Suspension by the Association*

... (1) *Ineligibility*. The Association or the Bank has declared the Project Implementing Entity ineligible to receive proceeds of any financing made by the Association or the Bank or otherwise to participate in the preparation or implementation of any project financed in whole or in part by the Association or the Bank, as a result of a determination by the Association or the Bank that the Project Implementing Entity has engaged in fraudulent, corrupt, coercive or collusive practices in connection with the use of the proceeds of any financing made by the Association or the Bank.”