

CONFORMED COPY

GEF TRUST FUND GRANT NUMBER TF 050371 UG

Global Environment Facility
Trust Fund
Project Agreement

(Energy for Rural Transformation Project)

between

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

acting as an
Implementing Agency of the Global Environment Facility

and

PRIVATE SECTOR FOUNDATION

Dated December 20, 2001

GEF TRUST FUND GRANT NUMBER 050371 UG

GLOBAL ENVIRONMENT FACILITY
TRUST FUND PROJECT AGREEMENT

AGREEMENT, dated December 20, 2001, between INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank) acting as an implementing agency of the Global Environment Facility (GEF) in respect of grant funds provided to the GEF Trust Fund by certain members of the Bank as participants of the GEF and PRIVATE SECTOR FOUNDATION (PSF).

WHEREAS (A) by the GEF Trust Fund Grant Agreement of even date herewith between the Republic of Uganda (the Recipient) and the Bank, the Bank has agreed to make available to the Recipient an amount in various currencies equivalent to nine million five hundred thousand Special Drawing Rights (SDR 9,500,000), on the terms and conditions set forth in the GEF Trust Fund Grant Agreement, but only on conditions that PSF agrees to undertake such obligations toward the Bank as are set forth in this Agreement;

(B) by a subsidiary financing agreement (the GEF Subsidiary Financing Agreement) to be entered into between the Recipient and PSF, a portion of the proceeds of the GEF Trust Fund Grant provided for under the GEF Trust Fund Grant Agreement will be made available to PSF on the terms and conditions set forth in the GEF Subsidiary Financing Agreement; and

WHEREAS PSF, in consideration of the Bank's entering into the GEF Trust Fund Grant Agreement with the Recipient, has agreed to undertake the obligations set forth in this Agreement;

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

Definitions

Section 1.01. Unless the context otherwise requires, the several terms defined in the GEF Trust Fund Grant Agreement, the Preamble to this Agreement and in the General Conditions (as so defined) have the respective meanings therein set forth.

ARTICLE II

Execution of Part G.1 of the Project

Section 2.01. (a) PSF declares its commitment to the objectives of the Project as set forth in Schedule 2 to the GEF Trust Fund Grant Agreement, and, to this end, shall carry out Part G.1 of the Project with due diligence and efficiency and in conformity with appropriate administrative, financial, rural development and environmental practices, and shall provide, or cause to be provided, promptly as needed, the funds, facilities, services and other resources required for the said Part of the Project.

(b) Without limitation upon the provisions of paragraph (a) of this Section and except as the Bank and PSF shall otherwise agree, PSF shall carry out the said Part of the Project in accordance with the Implementation Program set forth in the Schedule to this Agreement.

Section 2.02. Except as the Bank shall otherwise agree, procurement of the goods, works and consultants' services required for Part G.1 of the Project and to be financed out of the proceeds of the GEF Trust Fund Grant shall be governed by the provisions of Schedule 3 to the GEF Trust Fund Grant Agreement.

Section 2.03. (a) PSF shall carry out the obligations set forth in Sections 9.03, 9.04, 9.05, 9.06, 9.07 and 9.08 of the General Conditions (relating to insurance, use of goods and services, plans and schedules, records and reports, maintenance and land acquisition, respectively) in respect of the GEF Project Agreement and Part G.1 of the Project.

(b) For the purposes of Section 9.06 of the General Conditions and without limitation thereto, PSF shall:

- (i) prepare, on the basis of guidelines acceptable to the Bank and furnish to the Bank not later than six (6) months after the Closing Date or such later date as may be agreed for this purpose between the Bank and PSF, a plan for the future operation of Part G.1 of the Project; and
- (ii) afford the Bank a reasonable opportunity to exchange views with PSF on said plan.

Section 2.04. PSF shall duly perform all its obligations under the GEF Subsidiary Financing Agreement. Except as the Bank shall otherwise agree, PSF shall not take or concur in any action which would have the effect of amending, abrogating, assigning or waiving the GEF Subsidiary Financing Agreement or any provision thereof.

Section 2.05. (a) PSF shall, at the request of the Bank, exchange views with the Bank with regard to the progress of Part G.1 of the Project, the performance of its obligations under this Agreement and under the GEF Subsidiary Financing Agreement, and other matters relating to the purposes of the GEF Trust Fund Grant.

(b) PSF shall promptly inform the Bank of any condition which interferes or threatens to interfere with the progress of the Project, the accomplishment of the purposes of the GEF Trust Fund Grant, or the performance by PSF of its obligations under this Agreement and under the GEF Subsidiary Financing Agreement.

ARTICLE III

Management and Operations of PSF

Section 3.01. PSF shall carry on its operations and conduct its affairs in accordance with sound administrative, financial, rural development and environmental practices under the supervision of qualified and experienced management assisted by competent staff in adequate numbers.

Section 3.02. PSF shall, at all times, operate and maintain its building, equipment and other property, and from time to time, promptly as needed, make all necessary repairs and renewals thereof, all in accordance with sound financial, administrative and environmental practices.

Section 3.03. PSF shall take out and maintain with responsible insurers, or make other provision satisfactory to the Bank for, insurance against such risks and in such amounts as shall be consistent with appropriate practice.

ARTICLE IV

Financial Covenants

Section 4.01. (a) PSF shall maintain a financial management system, including records and accounts, and prepare financial statements, all in accordance with accounting standards acceptable to the Bank, consistently adequate to reflect in accordance with sound accounting practices its operations and financial condition and to register separately the operations, resources and expenditures related to Part G.1 of the Project.

(b) PSF shall:

- (i) have its records, accounts and financial statements (balance sheets, statements of income and expenses and related statements) for each fiscal year audited in accordance with auditing standards acceptable to the Bank consistently applied, by independent auditors acceptable to the Bank;
- (ii) furnish to the Bank as soon as available, but in any case not later than six months after the end of each such year, (A) certified copies of its financial statements referred to in paragraph (a) of this Section for such year as so audited, and (B) an opinion on such statements and report of such audit by said auditors of such scope and in such detail as the Bank shall have reasonably requested; and
- (iii) furnish to the Bank such other information concerning said records, accounts and financial statements as well as the audit thereof, as the Bank shall from time to time reasonably request.

Section 4.02. (a) Without limitation upon the provisions of Section 4.01 of this Agreement, PSF shall carry out a time-bound action plan acceptable to the Bank for the strengthening of its financial system for Part G.1 of the Project in order to enable PSF not later than eighteen months after the Effective Date or such later date as the Bank shall agree, to prepare quarterly Project Management Reports, acceptable to the Bank. Each such report shall:

- (i) set forth actual sources and application of funds for Part G.1 of the Project, both cumulatively and for the period covered by said report, and projected sources and application of funds for the said Part of the Project for the six-month period following the period covered by said report, and show separately expenditures proposed to be financed out of the proceeds of the GEF Trust Fund Grant during the six-month period following the period covered by said report;
- (ii) describe physical progress in Project implementation, both cumulatively and for the period covered by said report, and explain variances between the actual and previously forecast implementation targets; and
- (iii) set forth the status of procurement under the said Part of the Project and expenditures under contracts financed out of the

proceeds of the GEF Trust Fund Grant, as at the end of the period covered by said report.

(b) Upon completion of the action plan referred to in paragraph (a) of this Section, PSF shall prepare in accordance with guidelines acceptable to the Bank, and furnish to the Bank, not later than 45 days after the end of each calendar quarter, a Project Management Report for such period.

ARTICLE V

Effective Date; Termination; Cancellation and Suspension

Section 5.01. This Agreement shall come into force and effect on the date upon which the GEF Trust Fund Grant Agreement becomes effective.

Section 5.02. (a) This Agreement and all obligations of the Bank and of PSF thereunder shall terminate on the earlier of the following two dates:

(i) the date on which the GEF Trust Fund Grant Agreement shall terminate in accordance with its terms; or

(ii) the date 20 years after the date of this Agreement.

(b) If the GEF Trust Fund Grant Agreement terminates in accordance with its terms before the date specified in paragraph (a) (ii) of this Section, the Bank shall promptly notify PSF of this event.

Section 5.03. All the provisions of this Agreement shall continue in full force and effect notwithstanding any cancellation or suspension under the General Conditions.

ARTICLE VI

Miscellaneous Provisions

Section 6.01. Any notice or request required or permitted to be given or made under this Agreement and any agreement between the parties contemplated by this Agreement shall be in writing. Such notice or request shall be deemed to have been duly given or made when it shall be delivered by hand or by mail, telegram, cable, telex to the party to which it is required or permitted to be given or made at such party's address hereinafter specified or at such other address as such party shall have designated by notice to the party giving such notice or making such request. The addresses so specified are:

For the Bank:

International Bank for Reconstruction and Development
1818 H Street, N.W.
Washington, D.C. 20433
United States of America

Cable address:

Telex:

Facsimile:

INDEVAS

248423 (MCI) or

(202) 477-6391

Washington, D.C. 64145 (MCI)

For Private Sector Foundation:

Plot 43 Nakasero Road
P.O. Box 7683
Kampala, Uganda

Facsimile:

256-41-259-109

Section 6.02. Any action required or permitted to be taken, and any document

required or permitted to be executed, under this Agreement on behalf of PSF, or by PSF on behalf of the Recipient under the GEF Trust Fund Grant Agreement, may be taken or executed by the Executive Director of PSF or such other person or persons as PSF shall designate in writing, and PSF shall furnish to the Bank sufficient evidence of the authority and the authenticated specimen signature of each such person.

Section 6.03. This Agreement may be executed in several counterparts, each of which shall be an original, and all collectively but one instrument.

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

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT
as an implementing agency of the Global Environment Facility

By /s/ Callisto Madavo

Regional Vice President
Africa

PRIVATE SECTOR FOUNDATION

By /s/ Edith Ssempala

Authorized Representative

SCHEDULE

Implementation Program

1. Project Implementation Plan

(a) PSF shall prepare and furnish to the Bank a Project Implementation Plan in form and substance satisfactory to the Bank setting out details of all procedures, guidelines, timetables and criteria required for Part G.1 of the Project.

(b) PSF shall carry out the said Part of the Project in accordance with the Project Implementation Plan and, except as the Bank shall otherwise agree, PSF shall not amend or waive any provision of the Project Implementation Plan if, in the opinion of the Bank, such amendment or waiver may materially and adversely affect the carrying out of the Project or the achievement of the objectives thereof.

2. Miscellaneous

PSF shall:

(a) maintain policies and procedures adequate to enable it to monitor and evaluate on an ongoing basis, in accordance with the indicators set forth in Schedule 5 to the GEF Trust Fund Grant Agreement, the carrying out of Part G.1 of the Project and the achievement of the objectives thereof;

(b) prepare, under terms of reference satisfactory to the Bank, and furnish to the Bank, on or about March 31, June 30, September 30 and December 31 each year quarterly reports integrating the results of the monitoring and evaluation activities performed pursuant to paragraph (a) of this Section, on the progress achieved in the carrying out of the said Part of the Project during the period preceding the date of said report and setting out the measures recommended to ensure the efficient carrying out of the said Part of the Project and the achievement of the objectives thereof during the period following such date; and

(c) review with the Bank, by March 31 and September 30, or such later date as

the Bank shall request, the report referred to in paragraph (b) of this Section, and, thereafter, take all measures required to ensure the efficient completion of Part G.1 of the Project and the achievement of the objectives thereof, based on the conclusions and recommendations of the said report and the Bank's views on the matter.

3. No later than June 30, 2004, PSF shall carry out, jointly with the Bank, the Association, BOU and UCC a midterm review (the Midterm Review) of the progress made in carrying out the Project. The Midterm Review shall cover among other things:

(a) an assessment of: (i) work programs prepared as of the date of the Midterm Review and the progress made in carrying out the said programs, (ii) training provided under the Project, (iii) procurement under the Project, (iv) the extent to which actions described in the indicators set out in Schedule 5 to the GEF Trust Fund Grant Agreement have been carried out, and (v) plans made or proposed for updating said indicators; and

(b) a review of the state of maintenance of any works carried out under the Project.

4. The Borrower shall, not later than four weeks prior to the review referred to in paragraph 3 above, furnish to the Association a report, in such detail as the Association shall reasonably request, including an evaluation of the progress achieved in Project implementation.

