

CONFORMED COPY

CREDIT NUMBER 3588 UG

UCC Project Agreement
(Energy for Rural Transformation Project)

between

INTERNATIONAL DEVELOPMENT ASSOCIATION

and

UGANDA COMMUNICATIONS COMMISSION

Dated December 20, 2001

CREDIT NUMBER 3588 UG

UCC PROJECT AGREEMENT

AGREEMENT, dated December 20, 2001, between INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association) and UGANDA COMMUNICATIONS COMMISSION (UCC).

WHEREAS (A) by the Development Credit Agreement of even date herewith between the Republic of Uganda (the Borrower) and the Association, the Association has agreed to make available to the Borrower an amount in various currencies equivalent to Thirty eight million three hundred thousand Special Drawing Rights (SDR 38,300,000), on the terms and conditions set forth in the Development Credit Agreement, but only on conditions that UCC agrees to undertake such obligations toward the Association as are set forth in this Agreement;

(B) by a subsidiary financing agreement (the UCC Subsidiary Financing Agreement) to be entered into between the Borrower and UCC, a portion of the proceeds of the credit provided for under the Development Credit Agreement will be made available to UCC on the terms and conditions set forth in the UCC Subsidiary Financing Agreement; and

WHEREAS UCC, in consideration of the Association's entering into the Development Credit Agreement with the Borrower, 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 Development Credit 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 E of the Project

Section 2.01. (a) UCC declares its commitment to the objectives of the Project as set forth in Schedule 2 to the Development Credit Agreement, and, to this end, shall carry out Part E of the Project with due diligence and efficiency and in conformity with appropriate administrative, financial, communications, 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 Association and UCC shall otherwise agree, UCC 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 Association shall otherwise agree, procurement of the goods, works and consultants' services required for Part E of the Project and to be financed out of the proceeds of the Credit shall be governed by the provisions of Schedule 3 to the Development Credit Agreement.

Section 2.03. (a) UCC 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 UCC Project Agreement and Part E of the Project.

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

(i) prepare, on the basis of guidelines acceptable to the Association and furnish to the Association not later than six (6) months after the Closing Date or such later date as may be agreed for this purpose between the Association and UCC, a plan for the future operation of Part E of the Project; and

(ii) afford the Association a reasonable opportunity to exchange views with UCC on said plan.

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

Section 2.05. (a) UCC shall, at the request of the Association, exchange views with the Association with regard to the progress of Part E of the Project, the performance of its obligations under this Agreement and under the UCC Subsidiary Financing Agreement, and other matters relating to the purposes of the Credit.

(b) UCC shall promptly inform the Association of any condition which interferes or threatens to interfere with the progress of the Project, the accomplishment of the purposes of the Credit, or the performance by UCC of its obligations under this Agreement and under the UCC Subsidiary Financing Agreement.

ARTICLE III

Management and Operations of UCC

Section 3.01. UCC 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. UCC 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. UCC shall take out and maintain with responsible insurers, or make other provision satisfactory to the Association for, insurance against such risks and in such amounts as shall be consistent with appropriate practice.

ARTICLE IV

Financial Covenants

Section 4.01. (a) UCC shall maintain a financial management system, including records and accounts, and prepare financial statements, all in accordance with accounting standards acceptable to the Association, 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 E of the Project.

(b) UCC shall:

- (i) have its records, accounts and financial statements (balance sheets, statements of income and expenses and related statements) for each fiscal year, including those for the UCC Project Account, audited in accordance with auditing standards acceptable to the Association consistently applied, by independent auditors acceptable to the Association;
- (ii) furnish to the Association 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 Association shall have reasonably requested; and
- (iii) furnish to the Association such other information concerning said records, accounts and financial statements as well as the audit thereof, as the Association shall from time to time reasonably request.

Section 4.02. (a) Without limitation upon the provisions of Section 4.01 of this Agreement, UCC shall carry out a time-bound action plan acceptable to the Association for the strengthening of its financial system for Part E of the Project in order to enable UCC not later than eighteen (18) months after the Effective Date or such later date as the Association shall agree, to prepare quarterly Project Management Reports, acceptable to the Association. Each such report shall:

- (i) set forth actual sources and application of funds for Part E 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 Credit 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 Credit, 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, UCC shall prepare in accordance with guidelines acceptable to the Association, and furnish to the Association, 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 Development Credit Agreement becomes effective.

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

- (i) the date on which the Development Credit Agreement shall terminate in accordance with its terms; or
- (ii) the date 20 years after the date of this Agreement.

(b) If the Development Credit Agreement terminates in accordance with its terms before the date specified in paragraph (a) (ii) of this Section, the Association shall promptly notify UCC 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 Association:

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

Cable address:

INDEVAS
Washington, D.C.

Telex:

248423 (MCI) or
64145 (MCI)

Facsimile:

(202) 477-6391

For Uganda Communications Commission

Communications House 12th Floor
Plot 1 Colville Street
P.O. Box 7376
Kampala, Uganda

Facsimile:

256 41 348832
256 41 345278

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 UCC, or by UCC on behalf of the Borrower under the Development Credit Agreement, may be taken or

executed by the Executive Director of UCC or such other person or persons as UCC shall designate in writing, and UCC shall furnish to the Association 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 DEVELOPMENT ASSOCIATION

By /s/ Callisto Madavo

Regional Vice President
Africa

UGANDA COMMUNICATIONS COMMISSION

By /s/ Edith Ssempala

Authorized Representative

SCHEDULE

Implementation Program

1. Project Implementation Plan

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

(b) UCC shall carry out the said Part of the Project in accordance with the Project Implementation Plan and ESMF and, except as the Association shall otherwise agree, UCC shall not amend or waive any provision of the Project Implementation Plan and ESMF 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. Grants

(a) UCC shall ensure that, except as the Association shall otherwise agree, Subprojects under Part E of the Project shall be promoted, identified, appraised, approved, carried out and monitored in accordance with the procedures and other provisions set forth or referred to in the Project Implementation Plan.

(b) Enterprises applying for any Grants provided under Part E of the Project shall meet relevant criteria set out in the Project Implementation Plan with respect to the making of Grants.

(c) UCC shall enter into agreements satisfactory to the Association as a condition for the making of Grants for Subprojects. The terms and conditions of each Grant Agreement shall inter alia:

- (i) require that the eligible enterprise: (A) carries out the Subproject with due diligence and efficiency and in accordance with sound technical, financial, environmental and managerial standards; and (B) maintains adequate records to reflect, in accordance with sound accounting practices, the operations, resources and expenditures relating to the Subproject; and

(ii) require that the goods, works and services to be financed from the proceeds of the Grant shall (A) be procured in accordance with procedures ensuring efficiency and economy and in accordance with the provisions of Schedule 3 to the Development Credit Agreement; and (B) be used exclusively in the carrying out of the Subproject or Subprojects; and

(iii) reserve for the UCC the right to:

- (A) inspect by itself, or jointly with the Association, if the Association shall so request, the goods, works, sites, plants and construction included in the Subproject or Subprojects, the operations thereof and any relevant records and documents;
- (B) obtain all information as UCC or the Association shall reasonably request regarding the administration, operation and financial conditions of the eligible enterprise; and
- (C) suspend or terminate the right of the eligible enterprise to use the proceeds of the Grant upon the failure by the eligible enterprise to perform any of its obligations under the Grant Agreement.

3. Miscellaneous

UCC shall:

(a) maintain policies and procedures adequate to enable it to monitor and evaluate on an ongoing basis, in accordance with indicators 9 and 10 set forth in Schedule 5 to the Development Credit Agreement, the carrying out of Part E of the Project and the achievement of the objectives thereof;

(b) prepare, under terms of reference satisfactory to the Association, and furnish to the Association, 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 Association, by March 31 and September 30, or such later date as the Association 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 E of the Project and the achievement of the objectives thereof, based on the conclusions and recommendations of the said report and the Association's views on the matter.

4. No later than June 30, 2004, UCC shall carry out, jointly with the Borrower, the Association, PSF and BOU 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 Development Credit 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.

5. UCC shall, not later than four weeks prior to the review referred to in paragraph 4 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.



