

CONFORMED COPY

CREDIT NUMBER 3588 UG

Development Credit Agreement
(Energy for Rural Transformation Project)

between

THE REPUBLIC OF UGANDA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated December 20, 2001

CREDIT NUMBER 3588 UG

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated December 20, 2001 between THE REPUBLIC OF UGANDA (the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

WHEREAS (A) the Association has received from the Borrower a letter, dated April 4, 2001, describing a program of actions, objectives and policies designed to reform and improve the provision of energy for the transformation of the rural sector of its economy (the Program) and declaring the Borrower's commitment to the execution of the Program;

(B) the Borrower has requested that the Association support the execution of the Program through a series of credits over a period of ten years, the proceeds of such credits to be utilized by the Borrower in the carrying out of the Program;

(C) the Borrower, having satisfied itself as to the feasibility and priority of the Project described in Schedule 2 to this Agreement, has requested the Association to assist in the financing of the Project;

(D) Part G.1 of the Project will be carried out by the Private Sector Foundation (PSF) with the Borrower's assistance, and as part of such assistance, the Borrower will make available to PSF part of the proceeds of the Credit as provided in this Agreement;

(E) Part E of the Project will be carried out by the Uganda Communications Commission (UCC) with the Borrower's assistance, and as part of such assistance, the Borrower will make available to UCC part of the proceeds of the Credit as provided in this Agreement;

(F) Part G.2 (a) of the Project will be carried out by the Bank of Uganda (BOU) with the Borrower's assistance, and as part of such assistance, the Borrower will make available to BOU part of the proceeds of the Credit as provided in this Agreement; and

WHEREAS the Association has agreed, on the basis, inter alia, of the foregoing, to extend the Credit to the Borrower upon the terms and conditions set forth in this Agreement and in the following Project Agreements of even date herewith, namely: (i) the Project Agreement between the Association and PSF (the PSF Project Agreement); (ii) the Project Agreement between the Association and UCC (the UCC Project Agreement); and (iii) the Project Agreement between the Association and BOU (the BOU Project Agreement);

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

General Conditions; Definitions

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

(a) A new paragraph (12) is added to Section 2.01 to read as set forth below, and the existing paragraphs (12) through (14) of said Section are accordingly renumbered as paragraphs (13) through (15):

"12. "Participating Country" means any country that the Association determines meets the requirements set forth in Section 11 of Resolution No. 194 of the Board of Governors of the Association, adopted on April 8, 1999; and 'Participating Countries' means, collectively, all such countries."; and

(b) The second sentence of Section 5.01 is modified to read:

"Except as the Borrower and the Association shall otherwise agree, no withdrawals shall be made: (a) on account of expenditures in the territories of any country which is not a Participating Country or for goods produced in, or services supplied from, such territories; or (b) for the purpose of any payment to persons or entities, or for any import of goods, if such payment or import, to the knowledge of the Association, is prohibited by a decision of the United Nations Security Council taken under Chapter VII of the Charter of the United Nations."

Section 1.02. Unless the context otherwise requires, the several terms defined in the General Conditions and in the Preamble to this Agreement have the respective meanings therein set forth and the following additional terms have the following meanings:

(a) "Advance Account" means each of the advance accounts referred to in Part B.1 (b) of Schedule 1 to this Agreement;

(b) "Bank of Uganda" or "BOU" means the Borrower's Central Bank established pursuant to the Bank of Uganda Statute ("the Statute"), Statute No. 5 of 1993 of the Borrower;

(c) "BOU Project Agreement" means the agreement between the Association and BOU 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 BOU Project Agreement;

(d) "BOU Special Account" means the Special Account to be opened in the name of BOU pursuant to Part B.1 (a) of Schedule 1 to this Agreement;

(e) "BOU Subsidiary Financing Agreement" means the agreement to be entered into between the Borrower and BOU pursuant to Section 3.01 (f) of this Agreement, as the same may be amended from time to time, and such term includes all schedules supplemental to the BOU Subsidiary Financing Agreement;

(f) "Credit Support Facility" means the Credit Support Facility to be established pursuant to Part G.2 (b) of the Project;

(g) "Eligible Categories" means: (i) Categories (2) (b) (i), (3) (a) (i), (3) (a) (iv), (4) (a), (4) (c), (5) (a) and (5) (c) set forth in the table in Part A.1 of Schedule 1 to this Agreement and in respect of the MEMD/REA Special Account (as hereinafter defined); (ii) Categories (3) (a) (ii), (3) (b), (4) (b) and (5) (b) set forth in the table in Part A.1 of Schedule 1 to this Agreement and in respect of the PSF Special Account (as hereinafter defined); (iii) Categories (2) (a) and (3) (a) (iii) set forth in the table in Part A.1 of Schedule 1 to this Agreement and in respect of the UCC Special Account (as hereinafter defined); and (iv) Categories (1), (2) (b) (ii) and (5) (d) set forth in the table in Part A.1 of Schedule 1 to this Agreement and in respect of the BOU Special Account;

(h) "Eligible Enterprise" means a private sector enterprise, operator or investor which has met the eligibility criteria set out in the Project Implementation Plan and the requirements of Schedule 4 to this Agreement and, as a result, has been approved for, or has been made, a Grant (as hereinafter defined) or a Subloan (as hereinafter defined) for the carrying out of a Subproject (as hereinafter defined);

(i) "Eligible Expenditures" means the expenditures for goods, works and services referred to in Section 2.02 of this Agreement;

(j) "ESMF" means the Environmental and Social Management Framework or adopted on May 2001 by MEMD (as hereinafter defined);

(k) "Free limit Subloan" means a Subloan, as hereinafter defined, made under Part G (2) (a) and Part G 2 (b) of the Project, for an amount below the threshold referred to in Part B 3 (b) (ii) of Schedule 4 to this Agreement and Part A 3 of the Schedule to the BOU Project Agreement;

(l) "Grant" means a grant made, or proposed to be made, to an eligible enterprise out of the proceeds of the Credit for the financing of a Subproject (as hereinafter defined);

(m) "Grant Agreement" means an agreement for a Grant referred to in Part B.4 of Schedule 4 to this Agreement;

(n) "IAPSO" means the Inter-Agency Procurement Services Office of the United Nations;

(o) "ICT" means information and communication technologies;

(p) "Initial Deposits" means the initial deposits referred to in Section 3.03 (c) of this Agreement;

(q) "MEMD" means the Borrower's Ministry of Energy and Mineral Development;

(r) "MEMD/REA Special Account" means the Special Account to be opened in the name of MEMD/REA pursuant to Part B.1 of Schedule 1 to this Agreement;

(s) "Midterm Review" means the midterm review referred to in: (i) paragraph C.6 (b) of Schedule 4 to this Agreement; (ii) the respective paragraphs 3 of the Schedule to the PSF Project Agreement and the UCC Project Agreement; and Section 2.07 (c) of the BOU Project Agreement;

(t) "MOES Project Account" means the account to be opened in the name of the Borrower's Ministry of Education and Sports under Section 3.03 (a) of this Agreement;

(u) "MOH Project Account" means the account to be opened in the name of the Borrower's Ministry of Health under Section 3.03 (a) of this Agreement;

(v) "NGO" means a Non-Governmental Organization;

(w) "Participating Agreement" means any agreement entered into by BOU and a PFI (as hereinafter defined), pursuant to Section 2.01 (d) (i) of the BOU Project Agreement;

(x) "PFI" means a Project Financial Intermediary which has satisfied the eligibility criteria set out in the Project Implementation Plan for participation in the Project;

(y) "Private Sector Foundation" or "PSF" means the Private Sector Foundation, a company limited by guarantee established and operating under the laws of the

Borrower and its Memorandum and Articles of Association dated August 24, 1995;

(z) "Project Accounts" means the MOES Project Account the MOH Project Account, the PSF Project Account (as hereinafter defined) and the UCC Project Account (as hereinafter defined);

(aa) "Project Agreements" means the PSF Project Agreement (as hereinafter defined), the UCC Project Agreement (as hereinafter defined) and the BOU Project Agreement;

(bb) "Project Implementation Plan" means the Project Implementation Plan referred to in Part A.1 of Schedule 4 to this Agreement; and

(cc) "Project Management Report" means each report prepared in accordance with Section 4.02 of this Agreement;

(dd) "Project Year" means the 12 month period beginning from the Effective Date and ending 12 months thereafter and each successive 12 month period following thereafter;

(ee) "PSF Project Account" means the account to be opened in the name of PSF under Section 3.03 (a) of this Agreement;

(ff) "PSF Project Agreement" means the agreement between the Association and PSF 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 PSF Project Agreement;

(gg) "PSF Special Account " means the Special Account to be opened in the name of PSF pursuant to Part B.1 of Schedule 1 to this Agreement;

(hh) "PSF Subsidiary Financing Agreement" means the agreement to be entered into between the Borrower and PSF pursuant to Section 3.01 (d) of this Agreement, as the same may be amended from time to time, and such term includes all schedules supplemental to the PSF Subsidiary Financing Agreement;

(ii) "REA Subsidiary Financing Agreement" means the agreement to be entered into between the Borrower and PSF pursuant to Section 3.01 (g) of this Agreement, as the same may be amended from time to time, and such term includes all schedules supplemental to the PSF Subsidiary Financing Agreement;

(jj) "Rural Communications Development Fund" or "RCDF" means the fund to be established by UCC (as hereinafter defined) pursuant to Section 5 of the Uganda Communications Act;

(kk) "Rural Electrification Agency" or "REA" means the Rural Electrification Agency established pursuant to the Borrower's Electricity (Establishment and Management of the Rural Electrification Fund) Instrument, 2001, Statutory Instrument No. 75 of 2001.

(ll) "Rural Electrification Board" or "RE Board" means the Board to be established by the Minister of MEMD under the Borrower's Statutory Instrument No. 75 of 2001, referred to in (kk) above;

(mm) "Rural Electrification Fund" or "REF" means the Rural Electrification Fund to be established pursuant to Section 65 of the Electricity Act, Act No. 6 of 1999 of the Borrower;

(nn) "Special Accounts" means the MEMD/REA Special Account, the PSF Special Account, the UCC Special Account and the BOU Special Account;

(oo) "Subloan Agreement" means an agreement for a Subloan (as hereinafter defined) referred to in Part B.4 of Schedule 4 to this Agreement;

(pp) "Subloan" means a subloan made, or proposed to be made, by a PFI to an eligible enterprise out of the proceeds of the Credit for the financing of a Subproject (as hereinafter defined);

(qq) "Subproject" means a scheme, activity or service financed, or proposed to be financed through (i) Grants made under Parts A, B or C of the Project or through UCC under Part E of the Project, (ii) Subloans made through BOU under Part G. 2 (a) of the Project or through the credit support facility under G.2 (b) of the Project

which meets the criteria set forth in the Project Implementation Plan;

(rr) "Subsidiary Financing Agreements" means the PSF Subsidiary Financing Agreement, the UCC Subsidiary Financing Agreement (as hereinafter defined) the REA Subsidiary Financing Agreement and the BOU Subsidiary Financing Agreement;

(ss) "UCC Project Agreement" means the agreement between the Association and UCC 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 UCC Project Agreement;

(tt) "UCC Project Account" means the account to be opened in the name of UCC under Section 3.03 (a) of this Agreement;

(uu) "UCC Special Account" means the Special Account opened in the name of UCC pursuant to Part B.1 of Schedule 1 to this Agreement;

(vv) "UCC Subsidiary Financing Agreement" means the agreement to be entered into between the Borrower and UCC (as hereinafter defined) pursuant to Section 3.01 (e) of this Agreement, as the same may be amended from time to time, and such term includes all schedules supplemental to the UCC Subsidiary Financing Agreement; and

(ww) "Uganda Communications Commission" or "UCC" mean the Uganda Communications Commission established under Section 4 of the Uganda Communications Act of 1997, Act No. 8 of the Borrower.

ARTICLE II

The Credit

Section 2.01. The Association agrees to lend to the Borrower, on the terms and conditions set forth or referred to in the Development Credit Agreement, an amount in various currencies equivalent to thirty-eight million three hundred thousand Special Drawing Rights (SDR 38,300,000).

Section 2.02. The amount of the Credit may be withdrawn from the Credit Account in accordance with the provisions of Schedule 1 to this Agreement for: (i) amounts paid (or, if the Association shall so agree, amounts to be paid) by the Borrower on account of withdrawals made under a Subloan or a Grant to meet the reasonable costs of goods, works and services required for a Subproject in respect of which the withdrawal from the Credit Account is requested; and (ii) expenditures made (or if the Association shall so agree, to be made) in respect of the reasonable cost of goods, works and services required for the Project and to be financed out of the proceeds of the Credit.

Section 2.03. The Closing Date shall be August 31, 2006 or such later date as the Association shall establish. The Association shall promptly notify the Borrower of such later date.

Section 2.04. (a) The Borrower shall pay to the Association a commitment charge on the principal amount of the Credit not withdrawn from time to time at a rate to be set by the Association as of June 30 of each year, but not to exceed the rate of one-half of one percent (1/2 of 1%) per annum.

(b) The commitment charge shall accrue: (i) from the date sixty days after the date of this Agreement (the accrual date) to the respective dates on which amounts shall be withdrawn by the Borrower from the Credit Account or canceled; and (ii) at the rate set as of the June 30 immediately preceding the accrual date and at such other rates as may be set from time to time thereafter pursuant to paragraph (a) above. The rate set as of June 30 in each year shall be applied from the next date in that year specified in Section 2.06 of this Agreement.

(c) The commitment charge shall be paid: (i) at such places as the Association shall reasonably request; (ii) without restrictions of any kind imposed by, or in the territory of, the Borrower; and (iii) in the currency specified in this Agreement for the purposes of Section 4.02 of the General Conditions or in such other eligible currency or currencies as may from time to time be designated or selected pursuant to the provisions of that Section.

Section 2.05. The Borrower shall pay to the Association a service charge at the rate of three-fourths of one percent (3/4 of 1%) per annum on the principal amount of

the Credit withdrawn and outstanding from time to time.

Section 2.06. Commitment charges and service charges shall be payable semiannually on April 15 and October 15 in each year.

Section 2.07. (a) Subject to paragraphs (b), (c) and (d) below, the Borrower shall repay the principal amount of the Credit in semiannual installments payable on each April 15 and October 15 commencing April 15, 2012 and ending October 15, 2041. Each installment to and including the installment payable on October 15, 2021 shall be one percent (1%) of such principal amount, and each installment thereafter shall be two percent (2%) of such principal amount.

(b) Whenever: (i) the Borrower's per capita gross national product (GNP), as determined by the Association, shall have exceeded for three consecutive years the level established annually by the Association for determining eligibility to access the Association's resources; and (ii) the Bank shall consider the Borrower creditworthy for Bank lending, the Association may, subsequent to the review and approval thereof by the Executive Directors of the Association and after due consideration by them of the development of the Borrower's economy, modify the repayment of installments under paragraph (a) above by: (A) requiring the Borrower to repay twice the amount of each such installment not yet due until the principal amount of the Credit shall have been repaid; and (B) requiring the Borrower to commence repayment of the principal amount of the Credit as of the first semiannual payment date referred to in paragraph (a) above falling six months or more after the date on which the Association notifies the Borrower that the events set out in this paragraph (b) have occurred, provided, however, that there shall be a grace period of a minimum of five years on such repayment of principal.

(c) If so requested by the Borrower, the Association may revise the modification referred to in paragraph (b) above to include, in lieu of some or all of the increase in the amounts of such installments, the payment of interest at an annual rate agreed with the Association on the principal amount of the Credit withdrawn and outstanding from time to time, provided that, in the judgment of the Association, such revision shall not change the grant element obtained under the above-mentioned repayment modification.

(d) If, at any time after a modification of terms pursuant to paragraph (b) above, the Association determines that the Borrower's economic condition has deteriorated significantly, the Association may, if so requested by the Borrower, further modify the terms of repayment to conform to the schedule of installments as provided in paragraph (a) above.

Section 2.08. The currency of the United States of America is hereby specified for the purposes of Section 4.02 of the General Conditions.

ARTICLE III

Execution of the Project

Section 3.01. (a) The Borrower declares its commitment to the objectives of the Project as set forth in Schedule 2 to this Agreement, and, to this end, shall carry out Parts A, B, C, D and Part F of the Project with due diligence and efficiency and in conformity with appropriate administrative, financial, energy and environmental practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the Project.

(b) Without limitation upon the provisions of paragraph (a) of this Section and except as the Borrower and the Association shall otherwise agree, the Borrower shall carry out the said Parts of the Project in accordance with the Implementation Program set forth in Schedule 4 to this Agreement.

(c) Without any limitation or restriction upon any of its other obligations under the Development Credit Agreement, the Borrower shall cause:

(i) PSF to perform in accordance with the provisions of the PSF Project Agreement all the obligations of PSF therein set forth, take and cause to be taken all action, including the provision of funds, facilities, services and other resources, necessary or appropriate to enable PSF to perform such obligations, and shall not take or permit to be taken any action which would prevent or

interfere with such performance;

(ii) UCC to perform in accordance with the provisions of the UCC Project Agreement all the obligations of UCC therein set forth, take and cause to be taken all action, including the provision of funds, facilities, services and other resources, necessary or appropriate to enable UCC to perform such obligations, and shall not take or permit to be taken any action which would prevent or interfere with such performance; and

(iii) BOU to perform in accordance with the provisions of the BOU Project Agreement all the obligations of BOU therein set forth, take and cause to be taken all action, including the provision of funds, facilities, services and other resources, necessary or appropriate to enable BOU to perform such obligations, and shall not take or permit to be taken any action which would prevent or interfere with such performance.

(d) The Borrower shall make available on a grant basis the proceeds of the Credit allocated from time to time to Categories (3) (a) (ii), (3) (b), (4) (b) and (5) (b) of the table in paragraph 1 of Schedule 1 to this Agreement to PSF under a subsidiary financing agreement to be entered into between the Borrower and PSF under terms and conditions which shall have been approved by the Association.

(e) The Borrower shall make available on a grant basis the proceeds of the Credit allocated from time to time to Categories (2) (a) and (3) (a) (iii) of the table in paragraph 1 of Schedule 1 to this Agreement to UCC under a subsidiary financing agreement to be entered into between the Borrower and UCC under terms and conditions which shall have been approved by the Association.

(f) The Borrower shall make available the proceeds of the Credit allocated from time to time to Categories (1), (2) (b) (ii) and (5) (d) of the table in paragraph 1 of Schedule 1 to this Agreement to BOU under a subsidiary financing agreement to be entered into between the Borrower and BOU under terms and conditions which shall have been approved by the Association, including provisions requiring: (i) the periodic transfers by BOU to the Borrower of amounts of principal and interest received from PFIs by way of payments and repayments under Subloans; and (ii) an administration fee, to be retained by BOU from amounts received from the PFIs under Subloans, equivalent to one half of one percent of the average outstanding balance of Subloans.

(g) The Borrower shall make available the proceeds of the Credit allocated from time to time to Categories (2) (b) (i), (3) (a) (i), (3) (a) (iv), (4) (a), (4) (c), (5) (a), (5) (c) of the table in paragraph 1 of Schedule 1 to this Agreement to REA on a grant basis under a subsidiary financing agreement to be entered into between the Borrower and REA under terms and conditions which shall have been approved by the Association.

(h) The Borrower shall exercise its rights under each of the Subsidiary Financing Agreements in such manner as to protect the interests of the Borrower and the Association and to accomplish the purposes of the Credit, and except as the Association shall otherwise agree, the Borrower shall not assign, amend, abrogate or waive any of the Subsidiary Financing Agreement or any provision thereof.

Section 3.02. Except as the Association shall otherwise agree, procurement of the goods, works and consultants' services required for the Project and to be financed out of the proceeds of the Credit shall be governed by the provisions of Schedule 3 to this Agreement.

Section 3.03. (a) The Borrower shall: (i) open and thereafter maintain, until completion of the Project, four Project Accounts in a commercial bank, the first account in the name of the Borrower's Ministry of Education and Sports (the MOES Project Account); the second account in the name of the Ministry of Health (the MOH Project Account); the third account in the name of PSF (the PSF Project Account); and the fourth account in the name of UCC (the UCC Project Account);

(b) The Project Accounts shall be used exclusively to defray the costs of Parts D, F and G. 1 of the Project not financed from proceeds of the Credit.

(c) The Borrower shall: (i) pay an initial deposit equivalent to \$50,000 into the MOH Project Account and \$9,000 into the PSF Project Account, such deposits representing the first six months of the Borrower's contribution to the costs of the

respective Parts of the Project; (ii) as from 2002, deposit into each of the Project Accounts for each calendar year, no later than April 1 and August 1 of the calendar year, the amount of the Borrower's annual contribution to Project costs of Parts D, F and G.1 of the Project for such calendar year, as determined by agreement between the Borrower and the Association; and (iii) ensure that all amounts deposited into the Project Accounts in accordance with the provisions of this Section shall be used exclusively to finance the Borrower's contribution to the expenditures under the Project not otherwise financed out of the proceeds of the Credit.

Section 3.04. The Borrower shall take, and cause BOU, PSF, and UCC to take, all measures necessary to ensure that all environmental and social management aspects of the Project are carried out in conformity with the ESMF.

Section 3.05. For the purposes of Section 9.06 of the General Conditions and without limitation thereto, the Borrower shall:

(a) 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 Borrower and the Association, a plan for the future operation of Parts A, B, C, D and Part F of the Project; and

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

Section 3.06. The Borrower and the Association hereby agree that 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: (i) Part G.1 of the Project shall be carried out by PSF pursuant to Section 2.03 of the PSF Project Agreement; (ii) Part E of the Project shall be carried out by UCC pursuant to Section 2.05 of the UCC Project Agreement; and (iii) Parts G.2 (a) of the Project shall be carried out by BOU pursuant to Section 2.03 of the BOU Project Agreement.

ARTICLE IV

Financial Covenants

Section 4.01. (a) The Borrower shall maintain or cause to be maintained records and accounts adequate to reflect in accordance with sound accounting practices the operations, resources and expenditures in respect of the Project of the departments or agencies of the Borrower responsible for carrying out the Project or any part thereof.

(b) The Borrower shall:

(i) have the records and accounts referred to in paragraph (a) of this Section including those for the Special Accounts for each fiscal year audited, in accordance with appropriate auditing principles 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, the 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 and accounts and the audit thereof as the Association shall from time to time reasonably request.

(c) For all expenditures with respect to which withdrawals from the Credit Account were made on the basis of Project Management Reports or statements of expenditure, the Borrower shall:

(i) maintain or cause to be maintained, in accordance with paragraph (a) of this Section, records and accounts reflecting such expenditures;

(ii) retain, until at least one year after the Association has received the audit report for the fiscal year in which the last withdrawal

from the Credit Account was made, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures;

- (iii) enable the Association's representatives to examine such records; and
- (iv) ensure that such records and accounts are included in the annual audit referred to in paragraph (b) of this Section and that the report of such audit contains a separate opinion by said auditors as to whether the Project Management Reports or statements of expenditure submitted during such fiscal year, together with the procedures and internal controls involved in their preparation, can be relied upon to support the related withdrawals.

Section 4.02. (a) Without limitation upon the provisions of Section 4.01 of this Agreement, the Borrower shall carry out a time-bound action plan acceptable to the Association for the strengthening of its financial management system for the Project in order to enable the Borrower, not later than 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 of which:

- (i) (A) sets forth actual sources and applications of funds for the Project, both cumulatively and for the period covered by said report, and projected sources and applications of funds for the Project for the six-month period following the period covered by said report, and (B) shows separately expenditures financed out of the proceeds of the Credit during the period covered by said report and 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) (A) describes physical progress in Project implementation, both cumulatively and for the period covered by said report, and (B) explains variances between the actual and previously forecast implementation targets; and
- (iii) sets forth the status of procurement under 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 the completion of the action plan referred to in paragraph (a) of this Section, the Borrower 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

Remedies of the Association

Section 5.01. Pursuant to Section 6.02 (1) of the General Conditions, the following additional event is specified, namely that a situation has arisen which shall make it improbable that the Program or a significant part thereof will be carried out.

ARTICLE VI

Effective Date; Termination

Section 6.01. The following events are specified as additional conditions to the effectiveness of the Development Credit Agreement within the meaning of Section 12.01 (b) of the General Conditions:

- (a) the MOH Project Account and the PSF Project Account have been opened and the respective Initial Deposit has been deposited therein;
- (b) the Borrower has adopted the Project Implementation Plan in form and substance satisfactory to the Association;

(c) the Borrower has established a financial management and accounting system for the Project, satisfactory to the Association;

(d) the Borrower has adopted financial management manuals for the Project in form and substance satisfactory to the Association;

(e) the Borrower has furnished to the Association a procurement plan satisfactory to the Association for the procurement of goods, works and services required for the first Project Year; and

(f) all conditions precedent to the effectiveness of the GEF Trust Fund Grant Agreement, other than those related to the effectiveness of this Agreement, have been fulfilled.

Section 6.02. 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 the Project Agreements have respectively been duly authorized or ratified by PSF, UCC and BOU and are legally binding upon PSF, UCC and BOU in accordance with their respective terms.

Section 6.03. The date ninety days (90) days after the date of this Agreement is hereby specified for the purposes of Section 12.04 of the General Conditions.

ARTICLE VII

Representative of the Borrower; Addresses

Section 7.01. The Minister of Finance, Planning and Economic Development of the Borrower is designated as representative of the Borrower for the purposes of Section 11.03 of the General Conditions.

Section 7.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Borrower:

The Ministry of Finance, Planning
And Economic Development
P. O. Box 8147
Kampala
Uganda

Cable address: Facsimile:

FINSEC 230163

For the Association:

International Development Association
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)

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.

THE REPUBLIC OF UGANDA

By /s/ Edith Ssempala

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Callisto Madavo

Regional Vice President
Africa

SCHEDULE 1

Withdrawal of the Proceeds of the Credit

A. General

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 so to be financed in each Category:

Category	Amount of the Credit Allocated (Expressed in SDR Equivalent)	% of Expenditures to be Financed
(1) Subloans	11,180,000	90% of amounts disbursed
(2) Grants for:		
(a) ICT Subproject	3,510,000	87% of grant amount
(b) Rural Electrification Subprojects:		100% of amounts disbursed
(i) Subprojects financed through REA	5,580,000	
(ii) Other Subprojects	3,790,000	
(3) Consultants' services, training and audit fees for:		100% of foreign expenditures and 90% of local expenditures
(a) Direct Services		
(i) Participating Ministries	2,110,000	
(ii) PSF	650,000	
(iii) UCC	360,000	

	(iv) REA	2,320,000	
	(b) PSF Matching Grants	530,000	50%
(4)	Goods		100% of foreign expenditures and 90% of local expenditures
	(a) REA	110,000	
	(b) PSF	70,000	
	(c) Participating Ministries	3,340,000	
(5)	Operating Costs		90%
	(a) REA	413,000	
	(b) PSF	55,000	
	(c) MEMD	430,000	
	(d) BOU	70,000	
(6)	Unallocated	3,782,000	
	TOTAL	38,300,000	

2. For the purposes of this Schedule:

(a) the term "foreign expenditures" means expenditures in the currency of any country other than that of the Borrower for goods or services supplied from the territory of any country other than that of the Borrower;

(b) the term "local expenditures" means expenditures in the currency of the Borrower or for goods or services supplied from the territory of the Borrower;

(c) the term "Operating Costs" means the incremental operating costs arising under the Project on account of maintenance of vehicles, fuel, equipment, office supplies, utilities, consumables, travel and accommodation, auxiliary Project staff salaries for REA but excluding salaries of the Borrower's civil servants; and

(d) the term "Participating Ministries" means the Borrower's Ministries responsible for energy, local government, health, agriculture, education, water and finance.

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of:

(a) a Subloan under Category (1) unless the Subloan has been made in accordance with the eligibility criteria and procedures and on the terms and conditions set forth or referred to in the Project Implementation Plan, and the provisions of Schedule 4 to this Agreement;

(b) a Grant under Category (2) unless the Grant has been made in accordance with the eligibility criteria and procedures and on the terms and conditions set forth or referred to in the Project Implementation Plan, and the provisions of Schedule 4 to this Agreement;

(c) (i) expenditures under Categories (2) (a) and (3) (a) (iii) until the UCC Subsidiary Financing Agreement has been executed by the Borrower and UCC; and (ii) expenditures under Category (2) (a) until: (ii) UCC has furnished to the Association ICT bidding documents in form and substance satisfactory to the Association;

(d) expenditures under Categories (3) (a) (ii), (3) (b), (4) (b) and (5) (b) until the PSF Subsidiary Financing Agreement has been executed by the Borrower and PSF;

(e) expenditures under Categories (1), (2) (b) (ii) and (5) (d) until the

BOU Subsidiary Financing Agreement has been executed by the Borrower and BOU;

(f) expenditures under Categories (2) (b) (i), (3) (a) (iv), (4) (a), (4) (c), (5) (a), and (5) (c) until (i) REA has been duly established, (ii) REA has established an accounting and financial system satisfactory to the Association, and (iii) the REA Subsidiary Financing Agreement has been executed by the Borrower and REA; and

(g) payments made for expenditures prior to the date of this Agreement.

4. The Association may require withdrawals from the Credit Account to be made on the basis of statements of expenditure for: (i) goods under contracts not exceeding \$100,000 equivalent each; (ii) consultants' services under contracts not exceeding (A) \$100,000 equivalent each for consulting firms, and (B) \$50,000 equivalent each for individual consultants; and (iii) Operating Costs and training, all under such terms and conditions as the Association shall specify by notice to the Borrower.

B. Special Accounts

1. (a) The Borrower shall open and maintain in dollars in a commercial bank and on terms and conditions satisfactory to the Association, including appropriate protection against set-off, seizure and attachment, four separate special deposit accounts for MEMD/REA, PSF, UCC and BOU respectively.

(b) The Borrower shall open and maintain in dollars for MEMD and the Borrower's ministries of Finance, Agriculture, Health, Education, Water, and Local Government participating in the Project, an advance account (the Advance Account) in a commercial bank, on terms and conditions satisfactory to the Association, including appropriate protection against set-off, seizure and attachment. Each of the Advance Accounts shall be used by MEMD and each of the ministries concerned exclusively for the carrying out of the Project.

2. After the Association has received evidence satisfactory to it that a Special Account has been opened, withdrawals from the Credit Account of amounts to be deposited into the said Special Account shall be made as follows:

(a) until the Association shall have received: (i) the first Project Management Report referred to in Section 4.02 (b) of this Agreement, and (ii) a request from the Borrower for withdrawal on the basis of Project Management Reports, withdrawals shall be made in accordance with the provisions of Annex A to this Schedule 1; and

(b) upon receipt by the Association of a Project Management Report pursuant to Section 4.02 (b) of this Agreement, accompanied by a request from the Borrower for withdrawal on the basis of Project Management Reports, all further withdrawals shall be made in accordance with the provisions of Annex B to this Schedule 1.

3. Payments out of each Special Account shall be made exclusively for Eligible Expenditures. For each payment made by the Borrower out of a Special Account, the Borrower shall, at such time as the Association shall reasonably request, furnish to the Association such documents and other evidence showing that such payment was made exclusively for Eligible Expenditures.

4. Notwithstanding the provisions of Part B.2 of this Schedule, the Association shall not be required to make further deposits into any Special Account:

(a) if the Association determines at any time that any Project Management Report does not adequately provide the information required pursuant to Section 4.02 of this Agreement;

(b) if the Association determines at any time that all further withdrawals should be made by the Borrower directly from the Credit Account; or

(c) if the Borrower shall have failed to furnish to the Association within the period of time specified in Section 4.01 (b) (ii) of this Agreement, any of the audit reports required to be furnished to the Association pursuant to said Section in respect of the audit of (A) the records and accounts for any Special Account or (B) the records and accounts reflecting expenditures with respect to which withdrawals were made on the basis of Project Management Reports.

5. The Association shall not be required to make further deposits into any Special Account in accordance with the provisions of Part B.2 of this Schedule if, at any

time, the Association shall have notified the Borrower of its intention to suspend in whole or in part the right of the Borrower to make withdrawals from the Credit Account pursuant to Section 6.02 of the General Conditions. Upon such notification, the Association shall determine, in its sole discretion, whether further deposits into the Special Accounts may be made and what procedures should be followed for making such deposits, and shall notify the Borrower of its determination.

6. (a) If the Association determines at any time that any payment out of any Special Account was made for an expenditure which is not an Eligible Expenditure, or was not justified by the evidence furnished to the Association, the Borrower shall, promptly upon notice from the Association, provide such additional evidence as the Association may request, or deposit into the said Special Account (or, if the Association shall so request, refund to the Association) an amount equal to the amount of such payment. Unless the Association shall otherwise agree, no further deposit by the Association into any Special Account shall be made until the Borrower has provided such evidence or made such deposit or refund, as the case may be.

(b) If the Association determines at any time that any amount outstanding in any Special Account will not be required to cover payments for Eligible Expenditures during the six-month period following such determination, the Borrower shall, promptly upon notice from the Association, refund to the Association such outstanding amount.

(c) The Borrower may, upon notice to the Association, refund to the Association all or any portion of the funds on deposit in a Special Account.

(d) Refunds to the Association made pursuant to sub-paragraph (a), (b) or (c) of this paragraph 6 shall be credited to the Credit Account for subsequent withdrawal or for cancellation in accordance with the provisions of the Development Credit Agreement.

7. (a) The Borrower shall (in accordance with the procedures set out in the Financial Management and Procurement Plan and subject to the submission to the Borrower by the implementing agencies participating in the Project of their respective annual work programs and business plans) withdraw from the Special Accounts and deposit into each Advance Account, the respective Advance Account required for the Eligible Expenditures of the Project.

(b) Payment out of any Advance Account shall only be made for Eligible Expenditures.

(c) In the event that the Association, after consultation with the Borrower, determines that any outstanding amount in any Advance Account is not required to cover payments for Eligible Expenditures, the implementing agencies, upon notice from the Association shall promptly refund such outstanding amount to the Special Account.

Annex A to SCHEDULE 1

Operation of Special Account When Withdrawals Are Not Made On the Basis of Project Management Reports

1. For the purposes of this Annex:

the term "Authorized Allocation" means: (a) in respect of the MEMD/REA Special Account, an amount equivalent to \$1,200,000 to be withdrawn from the Credit Account and deposited into the MEMD/REA Special Account pursuant to paragraph 2 of this Annex; provided, however, that, unless the Association shall otherwise agree, said Authorized Allocation shall be limited to an amount equivalent to \$200,000, until: (i) the aggregate amount of withdrawals from the Credit Account of amounts allocated to the MEMD/REA Special Account's Eligible Categories, plus the total amount of all outstanding special commitments entered into by the Association pursuant to Section 5.02 of the General Conditions in respect of amounts allocated to said Categories, shall equal or exceed the equivalent of SDR 150,000, and (ii) the REA has been duly established and REA's accounting and financial system is satisfactory to the Association; (b) in respect of the PSF Special Account, an amount equivalent to \$150,000 to be withdrawn from the Credit Account and deposited into the PSF Special Account pursuant to paragraph 2 of this Annex; (c) in respect of the UCC Special Account, an amount equivalent to \$500,000 to be withdrawn from the Credit Account and deposited into the UCC Special Account pursuant to paragraph 2 of this Annex; and (d) in respect of the BOU Special Account, an amount equivalent to \$300,000 to be withdrawn from the Credit Account and deposited into the BOU Special Account pursuant

to paragraph 2 of this Annex.

2. Withdrawals of a Special Account's Authorized Allocation and subsequent withdrawals to replenish the said Special Account shall be made as follows:

(a) For withdrawals of the said Special Account's Authorized Allocation, the Borrower shall furnish to the Association a request or requests for deposit into the said Special Account of an amount or amounts which in the aggregate do not exceed the said Authorized Allocation. On the basis of each such request, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and deposit into the said Special Account such amount as the Borrower shall have requested.

(b) For replenishment of the said Special Account, the Borrower shall furnish to the Association requests for deposit into the said Special Account at such intervals as the Association shall specify. Prior to or at the time of each such request, the Borrower shall furnish to the Association the documents and other evidence required pursuant to Part B.3 of Schedule 1 to this Agreement for the payment or payments in respect of which replenishment is requested. On the basis of each such request, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and deposit into the said Special Account such amount as the Borrower shall have requested and as shall have been shown by said documents and other evidence to have been paid out of the said Special Account for Eligible Expenditures. Each such deposit into the said Special Account shall be withdrawn by the Association from the Credit Account under one or more of the said Special Account's Eligible Categories.

3. The Association shall not be required to make further deposits into a Special Account, once the total unwithdrawn amount of the Credit allocated to said Special Account's Eligible Categories minus the total amount of all outstanding special commitments entered into by the Association pursuant to Section 5.02 of the General Conditions in respect of expenditures to be financed out of the proceeds of the Credit allocated to said Categories, shall equal the equivalent of twice the amount of the said Special Account's Authorized Allocation. Thereafter, withdrawal from the Credit Account of the remaining unwithdrawn amount of the Credit allocated to said Categories shall follow such procedures as the Association shall specify by notice to the Borrower. Such further withdrawals shall be made only after and to the extent that the Association shall have been satisfied that all such amounts remaining on deposit in the said Special Account as of the date of such notice will be utilized in making payments for Eligible Expenditures.

Annex B to SCHEDULE 1

Operation of Special Account When Withdrawals Are Made On the Basis of Project Management Reports

1. Except as the Association may otherwise specify by notice to the Borrower, all withdrawals from the Credit Account shall be deposited by the Association into the respective Special Account in accordance with the provisions of Schedule 1 to this Agreement. Each such deposit into a Special Account shall be withdrawn by the Association from the Credit Account under one or more of the said Special Account's Eligible Categories.

2. Each application for withdrawal from the Credit Account for deposit into a Special Account shall be supported by a Project Management Report.

3. Upon receipt of each application for withdrawal of an amount of the Credit, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and deposit into the respective Special Account an amount equal to the lesser of: (a) the amount so requested; and (b) the amount which the Association has determined, based on the Project Management Report accompanying said application, is required to be deposited in order to finance Eligible Expenditures during the six-month period following the date of such report; provided, however, that the amount so deposited, when added to the amount indicated by said Project Management Report to be remaining in the said Special Account, shall not exceed the equivalent of \$8,000,000.

SCHEDULE 2

Description of the Project

The objectives of the Project are to assist the Borrower in: (i) putting in place a conducive environment and related capacity for: (A) commercially oriented

service delivery of energy and information, communication technologies; and (B) small-scale renewable power generation schemes to be carried out by eligible enterprises; (ii) facilitating, investment in: (A) commercially oriented rural electrification schemes, and (B) the scaled-up delivery of electricity in rural communities; and (iii) the acceleration of: (A) rural access to basic telephone service, and (B) the spread of Internet to district capitals and vanguard rural institutions.

The Project consists of the following Parts, subject to such modifications thereof as the Borrower and the Association may agree upon from time to time to achieve such objectives:

Part A: Main Grid Related Power Distribution and Generation

The carrying out by eligible enterprises, utilizing Subloans and Grants, of rural electrification investment schemes, including: (i) Subprojects for the supply of power to rural areas through the construction of extensions from the main grid; and (ii) subprojects for the generation of power from small, renewable energy sources close, or connected, to the main grid.

Part B: Independent Grid Systems

The carrying out by eligible enterprises, utilizing Subloans and Grants, of schemes for the generation and supply of power through independent grid systems including the use of renewable energy sources in remote settlements.

Part C: Household and Commercial Solar Photo-Voltaic System

The installation by eligible enterprises of solar photo-voltaic systems for use by rural enterprises and in homes, including the making of Subloans and Grants to the eligible enterprises.

Part D: Cross-Sectoral Links

1. (a) Installation and maintenance by eligible enterprises, under contract arrangements with the Borrower's Ministry of Health, of appropriate energy packages designed to address energy needs in rural health facilities (including in staff houses) in ten Districts of the Borrower.

(b) The provision of technical advisory services to assist with: (A) the carrying out of Subprojects; (B) workshops, information dissemination and capacity building; and (C) monitoring and evaluation of the impact of this Part D.1 of the Project on the delivery of rural health services.

2. The provisions of technical advisory services to the Borrower's Ministry of Agriculture, (Ministry of Agriculture, Animal Production and Fisheries), for: (i) identifying high-value added rural agricultural and agro-processing activities, including activities such as fishing and dairying, where the provision of electricity and ICT services would have significant economic benefits, and where there would be justification for providing subsidies to facilitate access to electricity and ICT services; (ii) linking demand of consumers to potential suppliers; (iii) monitoring and evaluation of the impact of this Part D.2 of the Project in meeting the objectives of the Borrower's Plan for Modernization of Agriculture; and (iv) capacity building to undertake the above activities.

3. (a) The provision by eligible enterprises, under contractual arrangements with the Borrower's Ministry of Education and Sports, of energy and ICT services and facilities for post-primary education facilities (including in staff houses) located in about ten selected Districts of the Borrower.

(b) The provision of technical advisory services for: (i) the assessment of energy needs in the post-primary education facilities, (ii) the development of appropriate energy packages for post-primary education, (iii) the conduct of workshops, (iv) the preparation of information packages for the Districts, and (v) capacity building, monitoring and evaluation of the impact of this Part D.3 of the Project on the delivery and impact of post primary education.

4. The provision of technical advisory services to assist in the preparation of least cost energy solutions for water schemes in ten Districts of the Borrower, namely, Kotido, Moroto, Arua, Nebbi, Moyo, Adjumani, Yumbe, Kabarole, Kyenjojo and Budibugyo, including technical advisory services for: (i) the preparation of energy guidelines for the different types of water supply options; (ii) the development of

information packages on water energy packages to be presented at workshops and made available to water groups and communities; and (iii) the installation of a scheme for the monitoring and evaluation of the impact of this Part D.4 of the Project on the delivery of rural water services.

Part E: ICT Infrastructure in the Rural Areas

1. The competitive tendering by UCC of grants for the installation, operation and maintenance by eligible enterprises of ICT infrastructure in commercially non-viable rural areas in the Borrower's territory, including: (i) the provision of at least one public telephone per sub-county in all sub-counties declared to be uncovered by national operators in July 2001; (ii) the provision of internet points of presence together with a public internet access facility in at least 30 District Capitals; (iii) the provision of a multipurpose community telecenter located at a 'vanguard' institution outside of the District Headquarters in at least seven Districts.

2. The provision of technical advisory services to support the tendering of the sub-projects referred to in Part E.1, including: (i) the development of detailed technical, financial and regulatory specifications for rural service licenses; (ii) the provision of technical advisory services of an internationally recruited advisor or rural ICT; (iii) the provision of independent third party verification services to certify whether or not the investment requirements of the rural licenses have been carried out by the licensed eligible enterprises; (iv) the provision of technical advisory services for monitoring and evaluating the quality of service provided by the rural operators; and (v) the provision of training for, and building the capacity and know-how of, staff of UCC in the design and tendering of rural ICT subprojects.

Part F: Energy Sector Capacity Building, Technical Assistance and Training

1. The training of staff of the Rural Electrification Agency (REA), and the implements of the preparation of an indicative rural electrification master plan; the processing of subsidies for rural electrification; the development of in-country expertise for rural electrification; and the monitoring and evaluation of the progress of rural electrification.

2. (a) The carrying out through MEMD, utilizing technical advisory services, of: (i) pilot schemes for efficient and clean biomass usage by households and small firms; (ii) pilot activities for biomass gasification; and (iii) renewable energy, capacity assessment, renewable energy and development of a capacity building, resource information system.

(b) The provision through MEMD/REA of grants to eligible enterprises for the carrying out of the said pilot schemes and activities under section 2 (a) (ii).

3. The monitoring and evaluation by the Borrower's Ministry of Finance, Planning and Economic Development of the impact of the Project on poverty reduction.

4. The provision by the Borrower's Ministry of Local Government of facilitation and support for dissemination and promotion of rural electrification policies.

Part G: Business Development Services and Credit Support Facility

1. The provision through the Private Sector Foundation of support to Eligible Enterprises, financial institutions, technical institutions and other agencies and entities participating in the carrying out of the Project, including: (i) the provision of technical advisory services to the eligible enterprises, and said institutions, agencies and entities for the strengthening of: (A) their business development capacities, and (B) rural enterprise development services required for the Project; and (ii) the making of grants to eligible enterprises for the preparation out of Subprojects.

2. (a) The making through BOU under Participating Agreements with PFIs of Subloans to eligible enterprises for the carrying out of rural electrification activities and schemes.

(b) The provision of a credit support facility to support and facilitate the making by PFIs of Subloans to eligible enterprises carrying out Subprojects.

* * *

The Project is expected to be completed by February 28, 2006.

SCHEDULE 3

Procurement and Consultants' Services

Section I. Procurement of Goods and Works

Part A: General

1. Goods and works shall be procured in accordance with (a) the provisions of Section I of the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Bank in January 1995 and revised in January and August 1996, September 1997 and January 1999 (the Guidelines) and the provisions of the following Parts of this Section I.

2. In paragraphs 1.6 and 1.8 of the Guidelines, the references to "Bank member countries" and "member country" shall be deemed to be references, respectively, to "Participating Countries" and "Participating Country".

Part B: International Competitive Bidding

1. (a) Except as otherwise provided in Part C of this Section, goods and works to be procured by the Borrower or any agency of the Borrower which is not in the private sector shall be procured under contracts awarded in accordance with the provisions of Section II of the Guidelines and paragraph 5 of Appendix 1 thereto.

(b) Except as otherwise provided in Part C.5 of this Section, procurement by an eligible entity in the private sector shall be carried out under contracts awarded in accordance with the provisions of Section II of the Guidelines and paragraph 5 of Appendix 1 thereto.

2. The following provisions shall apply to goods and works to be procured under contracts awarded in accordance with the provisions of paragraph 1 of this Part B.

(a) Prequalification

Bidders for works shall be prequalified in accordance with the provisions of paragraphs 2.9 and 2.10 of the Guidelines.

(b) Grouping of contracts

To the extent practicable, and without prejudice to the provisions of Part C.1, B.3 and C.5 contracts for goods shall be grouped in bid packages estimated to cost \$100,000 equivalent or more each.

(c) Preference for domestically manufactured goods and domestic contractors

The provisions of paragraphs 2.54 and 2.55 of the Guidelines and Appendix 2 thereto shall apply to goods manufactured in the territory of the Borrower and works to be carried out by domestic contractors.

(d) Notification and Advertising

The invitation to prequalify or bid for each contract estimated to cost \$100,000 equivalent or more shall be advertised in accordance with the procedures applicable to large contracts under paragraph 2.8 of the Guidelines.

3. In the case of competitively tendered grants including: (a) those to be administered by UCC for ICT services; and (b) those to be administered by the REA for electricity services. The procedures described in Section 3, Paragraph 3.13 (a) of the Guidelines shall apply.

Part C: Other Procurement Procedures

1. Limited International Bidding

Goods and works which the Association agrees can only be purchased from a limited number of suppliers, regardless of the cost thereof, may be procured under contracts awarded in accordance with the provisions of paragraph 3.2 of the Guidelines.

2. National Competitive Bidding

Goods estimated to cost less than \$100,000 equivalent per contract, up to an aggregate amount not to exceed \$500,000 equivalent, may be procured under contracts awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines.

3. International or National Shopping

Goods estimated to cost less than \$30,000 equivalent per contract, up to an aggregate amount not to exceed \$600,000 equivalent, may be procured in accordance with the provisions of paragraphs 3.5 and 3.6 of the Guidelines under contracts awarded on the basis of: (i) national shopping procedures, if available locally; or (ii) international shopping procedures, if not available locally.

4. Procurement from UN Agencies

Goods estimated to cost less than \$50,000 equivalent per contract, up to an aggregate amount not to exceed \$200,000 equivalent may be procured from IAPSO in accordance with the provisions of paragraph 3.9 of the Guidelines.

5. Commercial Practices

Goods and works required for the carrying out of Subprojects by eligible enterprises may be procured in accordance with established commercial practices satisfactory to the Association with respect to: (i) goods estimated to cost less than \$2,000,000 equivalent; (ii) works estimated to cost less than \$3,000,000 equivalent; and (iii) turnkey supply and installation contracts estimated to cost less than \$5,000,000 equivalent.

Part D: Review by the Association of Procurement Decisions

1. Procurement Planning

Prior to the issuance of any invitations to prequalify for bidding or to bid for contracts, the proposed procurement plan for the Project shall be furnished to the Association for its review and approval, in accordance with the provisions of paragraph 1 of Appendix 1 to the Guidelines. Procurement of all goods and works shall be undertaken in accordance with such procurement plan as shall have been approved by the Association, and with the provisions of said paragraph 1.

2. Prior Review

(a) With respect to each contract for goods estimated to cost the equivalent of \$100,000 or more procured by the Borrower or an agency of the Borrower operating in the public sector, the procedures set forth in paragraphs 2 and 3 of Appendix 1 to the Guidelines shall apply.

(b) With respect to each contract to be executed by an eligible enterprise in the private sector for: (i) the supply and installation of equipment and plant estimated to cost the equivalent of \$5,000,000 or more; (ii) works estimated to cost \$3,000,000 equivalent or more; and (iii) goods estimated to cost \$2,000,000 equivalent or more, the procedures set forth in paragraphs 2 and 3 of Appendix 1 to the Guidelines shall apply.

3. Post Review

With respect to each contract not governed by paragraph 2 of this Part, the procedures set forth in paragraph 4 of Appendix 1 to the Guidelines shall apply.

Section II. Employment of Consultants

Part A: General

1. Consultants' services shall be procured in accordance with (a) the provisions of the Introduction and Section IV of the "Guidelines: Selection and Employment of Consultants by World Bank Borrowers" published by the Association in January 1997 and revised in September 1997 and January 1999, subject to the modifications thereto set forth in paragraph 2 of this Part A (the Consultant Guidelines), and (b) the provisions of the following Parts of this Section II.

2. In paragraph 1.10 of the Consultant Guidelines, the references to "Bank member countries" and "member country" shall be deemed to be references, respectively, to "Participating Countries" and "Participating Country".

Part B: Quality- and Cost-based Selection

1. Except as otherwise provided in Part C of this Section, consultants' services shall be procured under contracts awarded in accordance with the provisions of Section II of the Consultant Guidelines, paragraph 3 of Appendix 1 thereto, Appendix 2 thereto, and the provisions of paragraphs 3.13 through 3.18 thereof applicable to quality- and cost-based selection of consultants.

2. The following provisions shall apply to consultants' services to be procured under contracts awarded in accordance with the provisions of the preceding paragraph. The short list of consultants for services estimated to cost less than \$100,000 equivalent per contract, may comprise entirely national consultants in accordance with the provisions of paragraph 2.7 of the Consultant Guidelines.

Part C: Other Procedures for the Selection of Consultants

1. Least-cost Selection

Services of a routine nature and services involving established practices and standards (including financial audit services) estimated to cost less than \$100,000 equivalent per contract up to an aggregate amount not to exceed \$200,000 equivalent may be procured under contracts awarded in accordance with the provisions of paragraphs 3.1 and 3.6 of the Consultant Guidelines.

2. Selection Based on Consultants' Qualifications

Services of consulting firms estimated to cost less than \$100,000 equivalent per contract up to an aggregate amount not to exceed \$1,100,000 equivalent may be procured under contracts awarded in accordance with the provisions of paragraphs 3.1 and 3.7 of the Consultant Guidelines.

3. Individual Consultants

Services for tasks that meet the requirements set forth in paragraph 5.1 of the Consultant Guidelines shall be procured under contracts awarded to individual consultants in accordance with the provisions of paragraphs 5.1 through 5.3 of the Consultant Guidelines.

4. Single Source Selection

In exceptional cases services may, with the Association's prior agreement, be procured in accordance with the provisions of paragraphs 3.8 through 3.11 of the Consultant Guidelines.

5. Commercial Practices

Services to assist in the carrying out of Subprojects estimated to cost less than \$100,000 equivalent may be procured in accordance with commercial practices acceptable to the Association.

Part D: Review by the Association of the Selection of Consultants

1. Selection Planning

Prior to the issuance to consultants of any requests for proposals, the proposed plan for the selection of consultants under the Project shall be furnished to the Association for its review and approval, in accordance with the provisions of paragraph 1 of Appendix 1 to the Consultant Guidelines. Selection of all consultants' services shall be undertaken in accordance with such selection plan as shall have been approved by the Association, and with the provisions of said paragraph 1.

2. Prior Review

(a) With respect to each contract for the employment by the Borrower of consulting firms estimated to cost the equivalent of \$100,000 or more, the procedures set forth in paragraphs 1, 2 (other than the third subparagraph of paragraph 2(a)) and 5 of Appendix 1 to the Consultant Guidelines shall apply.

(b) With respect to each contract for the employment of individual consultants estimated to cost the equivalent of \$50,000 or more, the qualifications, experience, terms of reference and terms of employment of the consultants shall be furnished to the Association for its prior review and approval. The contract shall be

awarded only after the said approval shall have been given.

3. Post Review

With respect to each contract not governed by paragraph 2 of this Part, the procedures set forth in paragraph 4 of Appendix 1 to the Consultant Guidelines shall apply.

SCHEDULE 4

Implementation Program

Part A: Project Implementation

1. (a) The Borrower shall prepare and furnish to the Association a Project Implementation Plan in a form and substance satisfactory to the Association. The said Plan shall be subject to modification by agreement between the Borrower and the Association.

(b) The Project Implementation Plan shall set out details of all procedures, guidelines, timetables and criteria required for the Project (including details of the eligibility criteria to be followed by eligible enterprises applying for Grants, the related procurement procedures and plans and an assessment of local counterpart funding requirements).

(c) The Borrower shall carry out the Project in accordance with the Project Implementation Plan and, except as the Borrower and the Association shall otherwise agree, the Borrower shall not amend or waive any provision of the Project Implementation Plan, 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. The Borrower shall prepare and furnish to the Association a Financial Management and Procurement Plan in form and substance satisfactory to the Association.

Part B: Grants and Subloans

3. (a) The Borrower shall ensure that, except as the Association shall otherwise agree, Subprojects 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 and the ESMF.

(b) Enterprises applying for any Grants or Subloans provided under the Project shall meet relevant criteria set out in the Project Implementation Plan and ESMF with respect to the making of (i) Grants under Parts A, B, or C of the Project and (ii) Subloans through the credit support facility under Part G.2 of the Project..

4. The Borrower shall enter into agreements satisfactory to the Association as a condition for the making of Grants and Subloans for Subprojects. The terms and conditions of each Grant Agreement shall inter alia:

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

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

(c) reserve for the Borrower the right to:

(i) 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;

(ii) obtain all information as the Borrower or the Association shall reasonably request regarding the administration, operation and

financial conditions of the eligible enterprise; and

- (iii) 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.

5. The Borrower shall no later than ninety days after the Effective Date establish a unit, or make other appropriate arrangements, satisfactory to the Association which shall be responsible for ensuring that the proceeds of Grants or the Subloans are used exclusively for purposes of the Project.

Part C: Monitoring, Evaluation, Reporting and Annual Work Programs

6. The Borrower 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 this Agreement the carrying out 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, a quarterly report 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 Project during the period preceding the date of said report and setting the measures recommended to ensure the efficient carrying out of the Project and the achievement of the objectives thereof during the period following such date;

(c) carry out, jointly with the Association, not later than June 30, 2004, a midterm review, of the Project, which shall cover salient aspects of the Project, including: (i) progress made in meeting the Project's objectives; (ii) overall Project performance as measured against the said Performance Indicators; (iii) the quality of the advisory services provided for the Project; and (iv) a study, to be financed by the Association, to assess the workings of the REF, RE Board, and REA and recommend required changes, including the possible need for a revised legal basis for the RE Board and REA, to enhance the effectiveness of their operations;

(d) not later than four weeks prior to the review referred to in (c) 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; and

(e) not later than 60 days after the Midterm Review (i) prepare an action plan, acceptable to the Association, for further implementation of the Project having regard to the findings of the Midterm Review and, thereafter, carry out such action program, and (ii) prepare a performance indicator suitable with the Association related to the legal basis of the RE Board and REA.

7. The Borrower (a) shall by June 1, 2002, take all measures necessary to adopt and implement policies and procedures, satisfactory to the Association, with respect to the operations of the RE Board, REF, and REA; and (b) shall not amend or waive any provision of such policies and procedures, 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.

SCHEDULE 5

Performance Indicators

The performance indicators for the Project shall include the following, said indicators being subject to modifications by agreement between the Borrower and the Association:

1. Establishment of a regulatory system for rural electrification, satisfactory working of RE Board, REA and REF.
2. A workable financial intermediation mechanism for rural electrification is in place.
3. Satisfactory functioning of two independent grid rural electrification

operations has been achieved.

4. Satisfactory functioning of 80 percent of the energy systems provided to agriculture-linked users, health clinics, schools, and water facilities has been achieved.

5. 15 MW of renewable energy power generation facilities constructed or under-construction.

6. 320,000 cumulative Watt-peak sales of solar pv systems to households and institutions has been achieved.

7. Solar home system price reduction of 30% from June 2000 baseline has been achieved (i.e., end-Phase I price of about \$14/Wp compared to about \$20/Wp in June 2000).

8. Finalization and implementation of first phase of long-term renewable energy capacity building strategy and action plan, including financing of recurrent costs of renewable energy projects and institutional arrangements has been achieved.

9. Phase I coverage objectives for rural telephony, internet points of presence and rural telecenters has been satisfactorily achieved.

10. Collection of at least 80% of the telecommunications universal service levy revenues that are billable by the end of Phase I has been achieved.

