

CONFORMED COPY

GRANT NUMBERS TF057884-UG  
TF057883-UG  
TF057882-UG

***Global Partnership on Output-based Aid***  
**Grant Agreement**

**(Uganda Small Towns Water Supply and Rural Growth Centers Project)**

**between**

**INTERNATIONAL BANK FOR RECONSTRUCTION  
AND DEVELOPMENT**

**acting as Administrator of the Global Partnership on Output-based Aid**

**and**

**PRICEWATERHOUSECOOPERS LIMITED**

**Dated February 12, 2007**

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**GLOBAL PARTNERSHIP ON OUTPUT-BASED AID GRANT AGREEMENT**

AGREEMENT dated February 12, 2007, entered into between INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (“World Bank”), acting as administrator of the Global Partnership on Output-based Aid (“GPOBA”) and PRICEWATERHOUSECOOPERS LIMITED (“Recipient”).

The Recipient and the World Bank hereby agree as follows:

**Article I - Standard Conditions; Definitions**

- 1.01. The Standard Conditions for Grants Made by the World Bank out of Various Funds, dated July 15, 2006 (“Standard Conditions”), constitute an integral part of this Agreement.
- 1.02. Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the Standard Conditions or in this Agreement.

**Article II - The Project**

- 2.01. The Recipient declares its commitment to the objectives of the project described in Schedule 1 to this Agreement (“Project”). To this end, the Recipient shall carry out the Project in accordance with the provisions of Article II of the Standard Conditions.
- 2.02. Without limitation upon the provisions of Section 2.01 of this Agreement, and except as the Recipient and the World Bank shall otherwise agree, the Recipient shall ensure that the Project is carried out in accordance with the provisions of Schedule 2 to this Agreement.

**Article III - The Grant**

- 3.01. The World Bank agrees to extend to the Recipient, on the terms and conditions set forth or referred to in this Agreement, a grant in an amount equal to three million two hundred and seven thousand United States Dollars (\$3,207,000)

("Grant") to assist in financing the Project. The total Grant amount will be financed as follows:

- (a) one million sixty nine thousand United States Dollars (\$1,069,000) by the Department for International Development (DFID) (TF 057884);
- (b) one million sixty nine thousand United States Dollars (\$1,069,000) by the International Finance Corporation (IFC) (TF 057883); and
- (c) one million sixty nine thousand United States Dollars (\$1,069,000) by the Government of Netherlands Ministry of Development Cooperation (DGIS) (TF057882).

3.02. The Recipient may withdraw the proceeds of the Grant in accordance with Section IV of Schedule 2 to this Agreement.

#### **Article IV - Additional Remedies**

4.01. The Additional Events of Suspension consist of the following:

- (a) *Ineligibility.* IBRD or IDA has declared the Recipient ineligible to be awarded a contract financed by IBRD or IDA;
- (b) The Recipient has: (i) amended the Operations Manual so as to affect materially and adversely the carrying out of the Project; or (ii) changed the out-put based approach of the Project design without prior agreement of the World Bank.
- (c) The Companies Act (Chapter 110) of the laws of the Republic of Uganda, or the Memorandum and Articles of Association of the Recipient have been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of the Recipient to perform any of its obligations under this Grant Agreement.
- (d) The World Bank has determined after the Project becomes effective, pursuant to the provisions of Section 5.01 of this Agreement (Effective Date), that prior to such date but after the signing of the Grant Agreement, an event has occurred which would have entitled the World Bank to suspend the Recipient's right to make withdrawals from the Grant Account if the Grant had been effective on the date such event occurred.

**Article V - Effectiveness; Termination**

- 5.01 The Grant Agreement shall not become effective until the Memorandum of Understanding has been duly executed between the Republic of Uganda and the World Bank.
- 5.02 Except as the Recipient and the World Bank shall otherwise agree, the Effective Date of the Grant Agreement shall be the date upon which the World Bank dispatches to the Recipient notice that the requirement under Section 5.01 has been fulfilled. If, before the Effective Date, any event has occurred which would have entitled the World Bank to suspend the right of the Recipient to make withdrawals from the Grant Account if the Grant Agreement had been effective, the World Bank may postpone the dispatch of the notice referred to in this subparagraph until such events have ceased to exist.
- 5.03 The Grant Agreement and all obligations of the parties under it shall terminate if it has not entered into effect by the date ninety (90) days after the date of this Agreement, unless the World Bank, after consideration of the reasons for the delay, establishes a later date for the purpose of this Section. The World Bank shall promptly notify the Recipient of such later date.

**Article VI - Recipient's Representative; Addresses**

6.01. The Recipient's Representative is its Director.

6.02. The Recipient's Address is:

PricewaterhouseCoopers Limited  
Communications House  
1 Coville Street  
P.O. Box 8053  
Kampala  
Republic of Uganda

Facsimile:  
256 41 230 153

6.03. The World Bank's Address is:

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

Cable:	Telex:	Facsimile:
INTBAFRAD Washington, D.C.	248423 (MCI) or 64145 (MCI)	1-202-477-6391

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

**INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT  
acting as an Implementing Agency of the Global Partnership on Output-based Aid**

**By:**

***/s/ Grace M. Yabrudy***  
**Authorized Representative**

**PRICEWATERHOUSECOOPERS LIMITED**

**By:**

***/s/ Joseph M. Baliddawa***  
**Authorized Representative**

## **SCHEDULE 1**

### **Project Description**

The objective of the Project is to support sustainable increase in access to piped-water for people living in selected small towns and rural growth centers through increased participation of local private operators.

The Project consists of selection the following parts:

**Part A:**            **Pilot Subprojects in Small Towns and Rural growth Centers:**

The carrying out of Subprojects for water connectivity in six small towns and four rural growth centers by the Beneficiaries, resulting in the following outputs: (a) in small towns: (i) connection of functional new yard taps; (ii) establishment of new public water points; and (iii) functionality of connections and standposts after a period of twelve months; and (b) in rural growth centers: (i) establishment of raw water intake; (ii) installation of pump house and water supply facilities; (iii) completion of distribution networks; (iv) installation of storage capacity; (v) connection of functional new yard taps; (vi) establishment of new public water points; and (vii) functionality of connections and stand posts after a period of six months.

**Part B:**            **Project Advisory, Monitoring and Audit Services**

(a) Strengthening the capacity for Project management, including supporting DWD in procurement, monitoring and evaluation functions, through the provision of technical advisory services; and (b) provision of auditing services to the Recipient.

## SCHEDULE 2

### Project Execution

#### Section I. Institutional and Other Arrangements

##### A. **Operations Manual**

1. The Recipient shall carry out the Project in accordance with the Operations Manual, and may with the prior written consent of the World Bank, amend or modify the provisions of the Operation Manual.
2. In the event that any provision of the Operations Manual shall be in conflict with any provision of this Agreement, the provisions of this Agreement shall prevail.

##### 3. **Implementing Agencies**

(a) Without limitation upon the provisions of Parts A.1 and A.2 of this Section, the Recipient shall under an implementation agreement with DWD delegate to DWD specific responsibilities for Project implementation, including: (i) procurement; (ii) day-to-day implementation of the Project; (iii) overall planning, coordination, procurement, monitoring, evaluation, reporting and communication of pilot Subprojects carried out by the Beneficiaries in accordance with the Memorandum of Understanding and the Operations Manual.

(b) The Recipient shall, for the purpose of monitoring the activities implemented by DWD pursuant to subparagraph (a) of this paragraph, obtain a verification report covering a six-month period from a verification consultant engineer. To this end, the verification consultant engineer shall be recruited in accordance with the provisions of Section III (C) to this Grant Agreement.

##### B. Implementation Arrangements

##### 1. **Environmental and social safeguards**

The Recipient shall at all times during the implementation of the Project:

- (a) consult with MWE, and ensure that all Subprojects are carried out in accordance with the environmental, social and resettlement guidelines, rules and procedures defined in the



Environmental and Social Management Framework and the Resettlement Policy Framework; and

- (b) consult with MWE, and ensure that: (i) all measures for carrying out the recommendations of the ESMF and the RPF are taken in a timely manner; and (ii) the Project Reports referred to in Part A of Section II of this Schedule shall include adequate information on monitoring the measures defined in the ESMF and the RPF.

2. **Memorandum of Understanding**

The DWD shall carry out its responsibilities in accordance with the arrangements and procedures set out in the Memorandum of Understanding; provided, however, that in case of any conflict between the provisions of said memorandum and of this Agreement, the provisions of this Agreement shall prevail.

3. **Funds for Subprojects**

(a) **General**

Without limitation upon the provisions of Part A of this Section, the Recipient shall appraise, approve and monitor Subprojects and administer the funds for the Subproject on an output-basis, and in accordance with the provisions and procedures set forth or referred to in this paragraph 4 and in more detail in the Operations Manual.

(b) **Eligibility Criteria for Funds for Subprojects**

No proposed Subproject shall be eligible for financing out of the proceeds of the Grant unless the Recipient, through DWD, has determined, on the basis of an appraisal conducted in accordance with this sub-paragraph and the guidelines set forth in the Operations Manual, that the proposed Subproject satisfies the eligibility criteria specified below and set forth or referred to in more detail in the Operations Manual, which shall include, *inter alia*, the following:

- (i) The proposed Subproject activities shall be designed as a pilot for either the specified six (6) small towns or four (4) rural growth centers described in Schedule 1 to this Agreement;

- (ii) the proposed Subproject shall be initiated by a Beneficiary which has been registered as a legal entity and a local private operator water provider or a joint venture, and has the capacity to enter into a binding contract under the laws of the Republic of Uganda, and which has met the other eligibility criteria specified or referred to in the Operations Manual;
- (iii) the proposed Subproject is eligible for subsidy at the amounts capped for a respective Subproject as specifically defined in the Operations Manual;
- (iv) the Beneficiary has adequate technical, financial management and procurement capacity to implement the proposed Subproject in compliance with the guidelines set forth in the Operations Manual; and
- (v) the Beneficiary shall be eligible to receive subsequent funds to implement pilot water Subprojects if it has completed the preceding Subproject to the satisfaction of the Recipient and DWD, in accordance with the terms of the Subproject Agreement.

(c) **Approval of Funds for Subprojects**

Based on the appraisal and recommendation of DWD in accordance with the sub-paragraph (b) of this paragraph, the Recipient shall: (i) approve the Subprojects whose cost falls below the threshold specified in the Operations Manual for prior no-objection by the World Bank or which do not otherwise require such no-objection as specified in the Operations Manual; and (ii) recommend for the World Bank's prior no-objection Sub-projects whose cost exceeds the threshold, which otherwise require such no-objection as specified in the Operations Manual.

(d) **Terms and Conditions of Funds for Subprojects**

A Subproject shall be carried out pursuant to a Subproject Agreement, to be concluded between the Recipient and the respective Beneficiary, under terms and conditions described or referred to in more detail in the Operations Manual and satisfactory to the World Bank, which, *inter alia*, shall include the following:

- (i) the description of the Subproject;

- (ii) the modalities of transfer of funds by the Recipient to the Beneficiary for the financing of the Subproject;
- (iii) the obligation of the Beneficiary to maintain adequate records to reflect, in accordance with sound accounting practices, the operations, resources and expenditures relating to the Subproject;
- (iv) the requirement that the goods, works and consultants' services to be financed from the proceeds of the Grant shall be procured in accordance with procedures ensuring efficiency and economy and in accordance with the provisions of Section III of this Schedule, and shall be used exclusively in the carrying out of the Subproject; and
- (v) the right of DWD, on behalf of the Recipient, to: (i) obtain all information as it, or the World Bank, shall reasonably request regarding the administration, operation and financial conditions of Subprojects; and (ii) suspend or terminate the right of any Beneficiary to use the proceeds of the Grant upon failure by the Beneficiary to perform any of its obligations under the Subproject Agreement.

(e) **Administration of Subproject Agreements**

DWD shall exercise its rights under the Subproject Agreements in such manner as to protect the interests of the Recipient and the World Bank and to accomplish the purposes of the Project, and, except as the World Bank shall otherwise agree, the Recipient shall not assign, amend, abrogate or waive any Subproject Agreement or any substantial provision thereof.

**C. Financial Management and Audit**

1. Not later than six (6) months after the date of this Agreement, the Recipient shall appoint independent auditors, subject to prior approval of the World Bank, to carry out, annual financial audit in respect of the Project, in accordance with the provisions of Section II.B.3 of this Schedule, including the verification of expenditures made in respect of the Project and the rate and status of the disbursement made in respect of the Project.

**Section II. Project Monitoring, Reporting and Evaluation**

**A. Project Reports; Completion Report**

1. (a) The Recipient shall monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 2.06 of the Standard Conditions and on the basis of the indicators set forth below in sub-paragraph (b) of this paragraph. Each Project Report shall cover the period of six (6) months, and shall be furnished to the World Bank not later than one month after the end of the period covered by such report.
- (b) The performance indicators referred to above in sub-paragraph (a) consist of the following:
  - (i) the number of increased working connections of a specified quality in the respective small towns and rural growth centers;
  - (ii) an increase in the number of yard taps and public water points;
  - (iii) for rural growth centers, raw water intake, pump house and power supply facilities, completion of distribution networks, and, installation of storage tanks; and
  - (iv) functionality of public water points after six (6) months for rural growth centers and twelve (12) months for small towns, as will be demonstrated through agreed quality and delivery of service stipulated in the Subproject Agreement.
- 2 The Recipient shall prepare the Completion Report in accordance with the provisions of Section 2.06 of the Standard Conditions. The Completion Report shall be furnished to the World Bank not later than six (6) months after the Closing Date.

**B. Financial Management; Financial Reports; Audits**

1. The Recipient shall ensure that a financial management system is maintained in accordance with the provisions of Section 2.07 of the Standard Conditions.

2. The Recipient shall ensure that interim unaudited financial reports for the Project are prepared and furnished to the World Bank as part of the Project Report not later than forty-five (45) days after the end of each six (6) calendar months, covering the six (6) months, in form and substance satisfactory to the World Bank.
3. The Recipient shall, upon the World Bank's request, have its Financial Statements for the Project audited in accordance with the provisions of Section 2.07 (b) of the Standard Conditions. Each such audit of the Financial Statements shall cover the period of one fiscal year of the Recipient. The audited Financial Statements for each such period shall be furnished to the World Bank not later than six (6) months after the end of such period.

### **Section III. Procurement**

#### **A. General**

1. **Procurement and Consultant Guidelines.** All goods, works and services required for the Project and to be financed out of the proceeds of the Grant shall be procured in accordance with the requirements set forth or referred to in:
  - (a) Section I of the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the World Bank in May 2004 ("Procurement Guidelines") in the case of goods and works, and Sections I and IV of the "Guidelines: Selection and Employment of Consultants by World Bank Recipients" published by the World Bank in May 2004 ("Consultant Guidelines") in the case of consultants' services; and
  - (b) the provisions of this Section III, as the same shall be elaborated in the procurement plan prepared and updated from time to time by the Recipient for the Project in accordance with paragraph 1.16 of the Procurement Guidelines and paragraph 1.24 of the Consultant Guidelines ("Procurement Plan").
2. **Definitions.** The capitalized terms used below in this Section to describe particular procurement methods or methods of review by the World Bank of particular contracts, refer to the corresponding method described in the Procurement Guidelines, or Consultant Guidelines, as the case may be.

**B. Particular Method of Procurement of Goods and Works**

1. **International Competitive Bidding:** Except as otherwise provided in paragraph 2 below, goods and works shall be procured under contracts awarded on the basis of International Competitive Bidding.

2. **Other Method of Procurement of Goods and Works**

**National Competitive Bidding**, may be used for procurement of goods, works and services for pilot Subproject operators other than Consultants' Services, for those contracts specified in the Procurement Plan which the World Bank agrees meet the requirements set forth in the Procurement Guidelines.

**C. Particular Methods of Procurement of Consultants' Services**

1. **Quality- and Cost-based Selection:** Except as otherwise provided in paragraph 2 below, consultants' services shall be procured under contracts awarded on the basis of Quality- and Cost-based Selection.

2. **Other Method of Procurement of Consultants' Services.**

**Selection based on Consultants' Qualifications** may be used for procurement of consultants' services under the circumstances specified in the Procurement Plan.

**D. Review by the World Bank of Procurement Decisions**

1. Except as the World Bank shall otherwise determine by notice to the Recipient, the following contracts shall be subject to Prior Review by the World Bank: (a) each contract for goods or works estimated to cost the equivalent of \$50,000 or more; and (b) each contract for consultants' services provided by a firm estimated to cost the equivalent of \$50,000 or more.

2. All other contracts shall be subject to Post Review by the World Bank.

**Section IV. Withdrawal of Grant Proceeds**

**A. General**

1. The Recipient may withdraw the proceeds of the Grant in accordance with the provisions of (a) Article III of the Standard Conditions, (b) this Section, and (c) such additional instructions as the World Bank may specify by notice to the Recipient (including the “World Bank Disbursement Guidelines for Projects” dated May 2006, as revised from time to time by the World Bank and as made applicable to this Agreement pursuant to such instructions), to finance Eligible Expenditures as set forth in the table in paragraph 2 below.
2. The following table specifies the categories of Eligible Expenditures that may be financed out of the proceeds of the Grant (“Category”), the allocations of the amounts of the Grant to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category:

<b>Category</b>	<b>Amount of the Grant (TF 057884 (DFID) Allocated (expressed in USD)</b>	<b>Amount of the Grant (TF 057883 (IFC) Allocated (expressed in USD)</b>	<b>Amount of the Grant (TF 057882 (DGIS) Allocated (expressed in USD)</b>	<b>Percentage of Expenditures to be Financed (inclusive of Taxes)</b>
(1) Subprojects for Part A of the Project	933,333	933,333	933,333	100% of the amount disbursed
(2) Consultants’ Services for Part B of the Project	56,667	56,667	56,667	100%
(3) Operating Costs	79,000	79,000	79,000	100%
<b>TOTAL AMOUNT</b>	1,069,000	1,069,000	1,069,000	

**B. Withdrawal Conditions; Withdrawal Period**

1. Notwithstanding the provisions of Part A of this Section no withdrawal shall be made:

- (a) for payments made prior to the date of this Agreement; and
  - (b) for Subprojects under Category (1), unless a satisfactory Verification Report has been received from the Recipient.
2. The Closing Date is February 28, 2010.



## **APPENDIX**

### **Definitions**

#### **Section 1**

1. “Beneficiary” means a private operator, established and operating under the laws of the Republic of Uganda, which has met the eligibility criteria specified in Operations Manual (as hereinafter defined) and, as a result, has been extended, or is to be extended funds out of the proceeds of the Grant for the carrying out of a Subproject (as hereinafter defined).
2. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.
3. “Consultant Guidelines” means the “Guidelines: Selection and Employment of Consultants by World Bank Borrowers” published by the World Bank in May 2004.
4. “DWD” means the Directorate of Water Development within the Ministry of Water and Environment of the Republic of Uganda.
5. “Environmental and Social Management Framework or “ESMF” means the document of the Republic of Uganda dated January 2007, as the said document may be amended and/or supplemented from time to time with the prior concurrence of the World Bank, setting forth the modalities for environmental screening and procedures for the preparation and implementation of environmental assessments and management plans under the Project pursuant to Section I.B.1 of Schedule 2 to this Agreement.
6. “Local Water Authority” means an urban local council appointed by the Minister for Water and Environment pursuant to the Water Act (Statute No. 9 of 1995), of the Laws of the Republic of Uganda.
7. “Memorandum of Understanding” means the Memorandum of Understanding dated on or about the date hereof between the MWE and the World Bank concerning the modalities for implementation of the Project.
8. “MWE” means the Ministry of Water and Environment of the Republic of Uganda.

9. “Operating Costs” means incremental costs arising out of the Project for the Recipient’s operational, monitoring and management tasks, as specifically calculated and detailed in the Operations Manual, and any other costs as may be agreed by the World Bank.
10. “Operations Manual” means the manual dated February 2007, containing or referring to detailed arrangements and procedures for the implementation of the Project, including: (i) institutional coordination and day-to-day execution of activities; (ii) disbursement and financial management; (iv) procurement; (v) pilot Subprojects, defining eligibility criteria and approval, disbursement, administration and monitoring and evaluation arrangements for the Subprojects together with sample grant agreement formats; (vi) monitoring, evaluation, and reporting, and (vii) such other administrative, financial, technical and organizational arrangements and procedures as shall be required for the Project.
11. “PSP Contract” means a contract executed between MWE or a Local Water Authority and a Beneficiary for design and implementation of a Subproject.
12. “PricewaterhouseCoopers Limited”, means, the Recipient, a body corporate established and operating under the Companies Act (CAP 110) of the laws of the Republic of Uganda.
13. “Resettlement Policy Framework” or “RPF” means the Resettlement Policy Framework of the Republic of Uganda dated January 2007, as the said framework may be amended and/or supplemented from time to time with the prior concurrence of the World Bank, setting forth the modalities for resettlement and compensation, in an event of resettlement under the Project, and referred to in Section I.B.1 of Schedule 2 to this Agreement.
14. “Subproject” means a water connectivity pilot activities carried out or to be carried out by a Beneficiary in either of the specified six (6) small towns or four (4) rural growth centers under the Project and financed in part, or proposed to be financed in part through the Grant.
15. “Subproject Agreement” means an agreement entered into, or to be entered into, between the Recipient, and a Beneficiary, for the purpose of providing funds to such Beneficiary on the terms and conditions set forth or referred to in Section I.B.5 (d) of Schedule 2 to this Agreement, and includes all schedules to such Subproject Agreement and a PSP Contract.

16. “Verification Report” means a report submitted by the Recipient verifying the satisfactory outputs in a Subproject, including the criteria set forth in the Operations Manual.

## **Section II. Modifications to the Standard Conditions**

The Standard Conditions are modified as follows:

1. The provisions of Section 5.03, *Arbitration*, are deleted in their entirety and replaced by the following:

“Section 5.03. *Arbitration*. Any dispute, controversy, or claim arising out of or relating to the Grant Agreement, which has not been settled by agreement of the parties, shall be submitted to arbitration in accordance with the UNCITRAL Arbitration Rules in effect on the date of the Grant Agreement, and the following provisions:

- (a) the appointing authority shall be the Secretary-General of the Permanent Court of Arbitration;
- (b) the place of arbitration shall be determined by the World Bank, after consultation with the Recipient; and
- (c) the language of the arbitral proceedings shall be English.