

CONFORMED COPY

GEF TRUST FUND GRANT NUMBER TF 050371 UG

Global Environment Facility
Trust Fund Grant Agreement

(Energy for Rural Transformation Project)

between

THE REPUBLIC OF UGANDA

and

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

acting as an Implementing Agency of the Global Environment Facility

Dated December 20, 2001

GEF TRUST FUND GRANT NUMBER 050371 UG

GLOBAL ENVIRONMENT FACILITY TRUST FUND
GRANT AGREEMENT

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

WHEREAS (A) the Bank, pursuant to Resolution No. 91-5 of March 14, 1991 of the Executive Directors of the Bank, established the GEF to assist in the protection of the global environment and promote thereby environmentally sound and sustainable economic development;

(B) following the restructuring of the GEF, such arrangements continued in place on the basis set forth in Resolution No. 94-2 of May 24, 1994, of the Executive Directors of the Bank which, inter alia, established the GEF Trust Fund and appointed the Bank as trustee of the GEF Trust Fund (Resolution No. 94-2);

(C) the second replenishment of the GEF Trust Fund was approved on the basis set forth in Resolution No. 98-2 of July 14, 1998, of the Executive Directors of the Bank (Resolution No. 98-2);

(D) the Bank has received from the Recipient 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 Recipient's commitment to the execution of the Program;

(E) the Recipient, having satisfied itself as to the feasibility and priority of the Project described in Schedule 2 to this Agreement (the Project), has requested assistance from the resources of the GEF Trust Fund for funding the Project, and said request having been approved in accordance with the provisions of the Instrument for the Establishment of the Restructured Global Environment Facility approved under Resolution 94-2, and to be funded from contributions to the GEF Trust Fund under Resolution No. 98-2, which may include funds carried over from the first replenishment of the GEF Trust Fund under Resolution No. 94-2;

(F) The Recipient has also requested the International Development Association (the Association) to provide additional financing towards the financing of the Project, and by an agreement (the Development Credit Agreement) of even date herewith between the Recipient and the Association, the Association has agreed to provide such assistance in an aggregate amount equivalent to thirty-eight million three hundred thousand Special Drawing Rights (SDR 38,300,000);

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

WHEREAS the Bank has agreed, on the basis, inter alia, of the foregoing, to extend the GEF Trust Fund Grant to the Recipient upon the terms and conditions set forth in this Agreement and in the Project Agreement between the Bank and PSF (the GEF Project Agreement);

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

General Conditions; Definitions

Section 1.01 (a) The following provisions of the General Conditions Applicable to Loan and Guarantee Agreements for Currency Pool Loans of the Bank, dated January 1, 1985, (as amended through October 6, 1999) with the modifications set forth in paragraph (b) of this Section (the General Conditions) constitute an integral part of this Agreement:

- (i) Article I;
 - (ii) Sections 2.01 (2), (3), (6), (8), (9), (10), (15), (16), (17), (19) and (20), 2.02 and 2.03;
 - (iii) Section 3.01;
 - (iv) Section 4.01 and the first sentence of Section 4.09;
 - (v) Article V;
 - (vi) Sections 6.01, 6.02, (c), (e), (f), (i), (l), (m), (n), (o) and (p), 6.03, 6.04 and 6.06;
 - (vii) Section 8.01 (b);
 - (viii) Sections 9.01 (a) and (c), 9.04, 9.05, 9.06, 9.07, 9.08 and 9.09;
 - (ix) Sections 10.01, 10.03 and 10.04;
 - (x) Article XI; and
 - (xi) Sections 12.01 (c), 12.03 and 12.04.
- (b) The General Conditions shall be modified as follows:
- (i) a new paragraph shall be added to the end of Section 2.01 to read as follows: "the term "Special Drawing Rights" and the symbol "SDR" mean special drawing rights as valued by the International Monetary Fund in accordance with its Articles of Agreement";
 - (ii) the term "Bank", wherever used in the General Conditions, other

than in Sections 2.01 (8) and 6.02 (f) thereof and the last use of such term in Section 5.01 thereof, means the Bank acting as an implementing agency of the GEF, except that in Section 6.02, the term "Bank" shall also include the Bank acting in its own capacity;

- (iii) the term "Recipient ", wherever used in the General Conditions, means the Recipient;
- (iv) the term "Loan Agreement", wherever used in the General Conditions, means this Agreement;
- (v) the term "Loan" and "loan", wherever used in the General Conditions, means the GEF Trust Fund Grant;
- (vi) the term "Loan Account", wherever used in the General Conditions, means the GEF Trust Fund Grant Account;
- (vii) The second sentence of Section 5.01 is modified to read: "Except as the Bank and the Recipient shall otherwise agree, no withdrawals shall be made: (a) on account of expenditures in the territories of any country which is not a member of the Bank 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 Bank, is prohibited by a decision of the United Nations Security Council taken under Chapter VII of the Charter of the United Nations.";
- (viii) a new subparagraph is added after subparagraph (o) in Section 6.02 of the General Conditions, as follows: "an extraordinary situation shall have arisen in which any further disbursement under the GEF Trust Fund Grant would exceed the resources available for disbursement from the GEF."; and

- (ix) Section 11.01 is modified by replacing, in the second sentence, the word "radiogram" with the word "facsimile" and adding a new sentence at the end of the said Section to read:

"Deliveries made by facsimile transmission shall also be confirmed by mail."

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

- (a) "Credit Support Facility" means the Credit Support Facility to be established pursuant to Part G.2 (b) of the Project;
- (b) "Eligible Categories" means: (i) Categories (1) (a) and (3) (a) 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); and (ii) Categories (1) (b), (2), (3) (b) and 4 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);
- (c) "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;
- (d) "Eligible Expenditures" means the expenditures for goods, works and services referred to in Section 2.02 of this Agreement;
- (e) "ESMF" means the Environmental and Social Management Framework or adopted on May 2001 by MEMD (as hereinafter defined);
- (f) "GEF Project Agreement" means the agreement between the Bank 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 GEF Project Agreement;

(g) "GEF Subsidiary Financing Agreement" means the agreement to be entered into between the Recipient 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 GEF Subsidiary Financing Agreement;

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

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

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

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

(l) "MEMD" means the Recipient's Ministry of Energy and Mineral Development;

(m) "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;

(n) "Midterm Review" means the midterm review referred to in: (i) paragraph C.6 (c) of Schedule 4 to this Agreement; and (ii) paragraph 3 of the Schedule to the GEF Project Agreement;

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

(p) "Private Sector Foundation" or "PSF" means the Private Sector Foundation, a company limited by guarantee established and operating under the laws of the Recipient and its Memorandum and Articles of Association dated August 24, 1995;

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

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

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

(t) "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;

(u) "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;

(v) "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 No. 8, 1997 of the Recipient;

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

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

(y) "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 Recipient;

(z) "Special Accounts" means the MEMD/REA Special Account and the PSF Special Account;

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

(bb) "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;

(cc) "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, (ii) Subloans made through through the credit support facility under G.2 (b) of the Project which meets the criteria set forth in the Project Implementation Plan; and

(dd) "Uganda Communications Commission" or "UCC" mean the Uganda Communications Commission established under Section 4 of the Uganda Communications Act of 1997.

ARTICLE II

The GEF Trust Fund Grant

Section 2.01. The Bank agrees to make available to the Recipient, on the terms and conditions set forth or referred to in this Agreement, the GEF Trust Fund Grant in an amount in various currencies equivalent to nine million five hundred thousand Special Drawing Rights (SDR 9,500,000).

Section 2.02. (a) The amount of the GEF Trust Fund Grant may be withdrawn from the GEF Trust Fund Grant Account in accordance with the provisions of Schedule 1 to this Agreement for: (i) expenditures made (or, if the Bank shall so agree, to be made) in respect of the reasonable cost of goods, works and services required for carrying out the Project described in Schedule 2 to this Agreement and to be financed out of the proceeds of the GEF Trust Fund Grant; and (ii) amounts paid (or, if the Bank shall so agree, amounts to be paid) by the Recipient on account of withdrawals made to meet the reasonable cost of goods, works and services required for any Subproject in respect of which the withdrawal from the GEF Trust Fund Grant Account is requested.

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

ARTICLE III

Execution of the Project

Section 3.01. (a) The Recipient 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 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 Recipient and the Bank shall otherwise agree, the Recipient 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 GEF Trust Fund Grant Agreement, the Recipient shall: (a) cause PSF to perform in accordance with the provisions of the GEF Project Agreement all the obligations of PSF therein set forth; (b) 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 (c) not take or permit to be taken any action which would prevent or interfere with such performance.

(d) The Recipient shall make the proceeds of the GEF Trust Fund Grant allocated from time to time to Category 1 (b), (2), (3) (b) and (4) of the table in paragraph 1 of Schedule 1 to this Agreement available to PSF under a subsidiary financing agreement to be entered into between the Recipient and PSF under terms and conditions which shall have been approved by the Bank.

Section 3.02. Except as the Bank 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 GEF Trust Fund Grant shall be governed by the provisions of

Schedule 3 to this Agreement.

Section 3.03. (a) The Recipient shall: (i) open and thereafter maintain, until completion of the Project, a Project Account in a commercial bank in the name of PSF (the Project Account).

(b) The Project Account shall be used exclusively to defray the costs of Part G. 1 of the Project not financed from proceeds of the GEF Trust Fund Grant.

(c) The Recipient shall: (i) pay an initial deposit equivalent to \$120,000 into the Project Account, such deposits representing the first six months of the Recipient's contribution to the costs of Part G.1 of the Project; (ii) as from 2002, deposit into the Project Account for each calendar year, no later than April 1 and August 1 of the calendar year, the amount of the Recipient's annual contribution to Project costs of Part G.1 of the Project for such calendar year, as determined by agreement between the Recipient and the Bank; and (iii) ensure that all amounts deposited into the Project Account in accordance with the provisions of this Section shall be used exclusively to finance the Recipient's contribution to the expenditures under Part G.1 the Project not otherwise financed out of the proceeds of the GEF Trust Fund Grant.

Section 3.04. The Recipient shall take, and cause PSF 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 9.08 of the General Conditions and without limitation thereto, the Recipient shall:

(a) prepare, on the basis of guidelines acceptable to the Bank, and furnish to the Bank not later than six (6) months after the Closing Date or such later date as may be agreed for this purpose between the Recipient and the Bank, a plan for the future operation of Parts A, B, C, D and F of the Project; and

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

ARTICLE IV

Financial Covenants

Section 4.01. (a) The Recipient 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 Recipient responsible for carrying out the Project or any part thereof.

(b) The Recipient 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 Bank;

(ii) furnish to the Bank as soon as available, but in any case not later than six (6) 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 Bank shall have reasonably requested; and

(iii) furnish to the Bank such other information concerning said records and accounts and the audit thereof as the Bank shall from time to time reasonably request.

(c) For all expenditures with respect to which withdrawals from the GEF Trust Fund Grant Account were made on the basis of statements of expenditure, the Recipient 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 Bank has received the audit report for the fiscal year in which the last withdrawal from the GEF Trust Fund Grant Account was made, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures;
- (iii) enable the Bank'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 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 Recipient shall carry out a time-bound action plan acceptable to the Bank for the strengthening of its financial management system for the Project in order to enable the Recipient, not later than eighteen (18) months after the Effective Date, or such later date as the Bank shall agree, to prepare quarterly Project Management Reports, acceptable to the Bank, each 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 GEF Trust Fund Grant during the period covered by said report and expenditures proposed to be financed out of the proceeds of the GEF Trust Fund Grant during the six-month period following the period covered by said report;
- (ii) (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 GEF Trust Fund Grant, 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 Recipient shall prepare, in accordance with guidelines acceptable to the Bank, and furnish to the Bank not later than 45 days after the end of each calendar quarter a Project Management Report for such period.

ARTICLE V

Remedies of the Bank

Section 5.01. Pursuant to Section 6.02 (k) 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 event is specified as an additional condition to the effectiveness of the GEF Trust Fund Grant Agreement within the meaning of Section 12.01 (b) of the General Conditions namely that all conditions precedent to the effectiveness of the Development Credit Agreement, other than those related to the effectiveness of this Agreement, have been fulfilled.

Section 6.02. The date ninety (90) days after the date of this Agreement is hereby specified for the purposes of Section 12.04 of the General Conditions.

Section 6.03. This Agreement shall continue in effect until the GEF Trust Fund Grant has been fully disbursed and the parties to this Agreement have fulfilled all their obligations hereunder.

ARTICLE VII

Representative of the Recipient; Addresses

Section 7.01. The Recipient's Minister responsible for Finance is designated as representative of the Recipient 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 Recipient:

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

Cable address:

FINSEC

Facsimile:

230163

For the Bank:

International Bank for
Reconstruction and Development,
acting as an Implementing Agency of
the Global Environment Facility
1818 H Street, N.W.
Washington, D.C. 20433
United States of America

Cable address:

INDEVAS
Washington, D.C.

Telex

248423 (MCI) or
64145 (MCI)

Facsimile:

(202)477-6391

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

By /s/ Callisto Madavo

Regional Vice President

SCHEDULE 1

Withdrawal of the Proceeds of the GEF Trust Fund Grant

A. General

1. The table below sets forth the Categories of items to be financed out of the proceeds of the GEF Trust Fund Grant, the allocation of the amounts of the GEF Trust Fund Grant to each Category and the percentage of expenditures for items so to be financed in each Category:

Category	Amount of the GEF Trust Fund Grant Allocated (Expressed in SDR Equivalent)	% of Expenditures to be Financed
(1) Goods		100% of foreign expenditures and 90% of local expenditures
(a) Health and Education energy pacjages	110,000	
(b) PSF	40,000	
(2) Grants	4,910,000	100% of amounts disbursed
(3) Consultants' services		100% of foreign expenditures and 90% of local expenditures
(a) Participating Ministries	2,600,000	
(b) PSF	700,000	
(4) Operating Costs (PSF)	160,000	100% of foreign expenditures and 90% of local expenditures
(5) Unallocated	980,000	
TOTAL	9,500,000	

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 Recipient for goods or services supplied from the territory of any country other than that of the Recipient;

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

(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 Recipient's civil servants; and

(d) the term "Participating Ministries" means the Recipient'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 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; and

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

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

B. Special Accounts

1. The Recipient shall, for the purposes of the Project, open and maintain in dollars, in a commercial bank on terms and conditions satisfactory to the Bank, including appropriate protection against set off, seizure or attachment, two special deposit accounts for MEMD/REA and PSF.

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

(a) until the Bank 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 Recipient 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 Bank of a Project Management Report pursuant to Section 4.02 (b) of this Agreement, accompanied by a request from the Recipient 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 Recipient out of a Special Account, the Recipient shall, at such time as the Bank shall reasonably request, furnish to the Bank 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 Bank shall not be required to make further deposits into any Special Account:

(a) if the Bank 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 Bank determines at any time that all further withdrawals should be made by the Recipient directly from the GEF Trust Fund Grant Account; or

(c) if the Recipient shall have failed to furnish to the Bank 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 Bank pursuant to said Section in respect of the audit of: (i) the records and accounts for any Special Account, or (ii) the records and accounts reflecting expenditures with respect to which withdrawals were made on the basis of Project Management Reports.

5. The Bank 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 Bank shall have notified the Recipient of its intention to suspend in whole or in part the right of the Recipient to make withdrawals from the GEF Trust Fund Grant Account pursuant to Section 6.02 of the General Conditions. Upon such notification, the Bank 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 Recipient of its determination.

6. (a) If the Bank 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 Bank, the Recipient shall, promptly upon notice from the Bank, provide such additional evidence as the Bank may request, or deposit into the said Special Account (or, if the Bank shall so request, refund to the Bank) an amount equal to the amount of such payment. Unless the Bank shall otherwise agree, no further deposit by the Bank into any Special Account shall be made until the Recipient has provided such evidence or made such deposit or refund, as the case may be.

(b) If the Bank 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 Recipient shall, promptly upon notice from the Bank, refund to the Bank such outstanding amount.

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

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

Annex A to SCHEDULE 1

Operation of GEF 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 \$250,000 to be withdrawn from the GEF Trust Fund Grant Account and deposited into the MEMD/REA Special Account pursuant to paragraph 3 (a) of this Schedule; and (b) in respect of the PSF Special Account an amount equivalent to \$1,000,000 to be withdrawn from the GEF Trust Fund Grant Account and deposited into the PSF Special Account pursuant to paragraph 3 (a) of this Schedule, provided, however, that, unless the Bank shall otherwise agree, said Authorized Allocation shall be limited to an amount equivalent to \$500,000, until the aggregate amount of withdrawals from the GEF Grant Account of amounts allocated to the PSF Special Account's Eligible Categories, plus the total amount of all outstanding special commitments entered into by the Bank 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 3,000,000;

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

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

(b) For replenishment of the said Special Account, the Recipient shall furnish to the Bank requests for deposit into the said Special Account at such intervals as the Bank shall specify. Prior to or at the time of each such request, the Recipient shall furnish to the Bank 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 Bank shall, on behalf of the Recipient, withdraw from the GEF Trust Fund Grant Account and deposit into the said Special Account such amount as the Recipient 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 Bank from the GEF Trust Fund Grant Account under one or more of the Eligible Categories.

3. The Bank shall not be required to make further deposits into a Special Account, once the total unwithdrawn amount of the GEF Trust Fund Grant allocated to the Eligible Categories minus the total amount of all outstanding special commitments entered into by the Bank pursuant to Section 5.02 of the General Conditions in respect

entered into by the Bank pursuant to Section 5.02 of the General Conditions in respect of expenditures to be financed out of the proceeds of the GEF Trust Fund Grant allocated to said Categories, shall equal the equivalent of twice the amount of the Authorized Allocation. Thereafter, withdrawal from the GEF Trust Fund Grant Account of the remaining unwithdrawn amount of the GEF Trust Fund Grant allocated to said Categories shall follow such procedures as the Bank shall specify by notice to the Recipient. Such further withdrawals shall be made only after and to the extent that the Bank 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 GEF Special Account When Withdrawals Are Made On the Basis of Project Management Reports

1. Except as the Bank may otherwise specify by notice to the Recipient, all withdrawals from the GEF Trust Fund Grant Account shall be deposited by the Bank 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 Bank from the GEF Trust Fund Grant Account under one or more of the Eligible Categories.
2. Each application for withdrawal from the GEF Trust Fund Grant 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 GEF Trust Fund Grant, the Bank shall, on behalf of the Recipient, withdraw from the GEF Trust Fund Grant 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 Bank 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 \$2,000,000.

SCHEDULE 2

Description of the Project

The objectives of the Project are to assist the Recipient in: (a) putting in place a conducive environment and related capacity for: (i) commercially oriented service delivery of energy and information, communication technologies, and (ii) small-scale renewable power generation schemes to be carried out by eligible enterprises; (b) facilitating investment in: (i) commercially oriented rural electrification schemes, and (ii) the scaled-up delivery of electricity in rural communities; and (c) the acceleration of: (i) rural access to basic telephone service, and (ii) 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 Recipient 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: (a) Subprojects for the supply of power to rural areas through the construction of extensions from the main grid; and (b) 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

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 Recipient'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 Recipient.

(b) The provision of technical advisory services to assist with: (i) the carrying out of Subprojects, (ii) workshops, information dissemination and capacity building, and (iii) 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 Recipient's Ministry of Agriculture, (full name needed here), for: (a) 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; (b) linking demand of consumers to potential suppliers; (c) monitoring and evaluation of the impact of this Part D.2 of the Project in meeting the objectives of the Recipient's Plan for Modernization of Agriculture; and (d) capacity building to undertake the above activities.

3. (a) The provision by eligible enterprises, under contractual arrangements with the Recipient'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 Recipient.

(b) The provision of technical advisory services for: (a) the assessment of energy needs in the post-primary education facilities; (b) the development of appropriate energy packages for post-primary education; (c) the conduct of workshops; (d) the preparation of information packages for the Districts; and (e) 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 Recipient, namely, Kotido, Moroto, Arua, Nebbi, Moyo, Adjumani, Yumbe, Kabarole, Kyenjojo and Budibugyo, including technical advisory services for: (a) the preparation of energy guidelines for the different types of water supply options; (b) the development of information packages on water energy packages to be presented at workshops and made available to water groups and communities; and (c) 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 Recipient's territory, including: (a) 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; (b) the provision of internet points of presence together with a public internet access facility in at least 30 District Capitals; and (c) 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: (a) the development of detailed technical, financial and regulatory specifications for rural service licenses; (b) the provision of technical advisory services of an internationally recruited advisor or rural ICT; (c) 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; (d) the provision of technical advisory services for monitoring and evaluating the quality of service provided by the rural operators; and (e) the provision of training for, and building the capacity and know-how of, staff of UCC in the design and tendency 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); the preparation

1. The training of staff of the Rural Electrification Agency (REA); 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/REA, 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, capacity building resource informational systems.

(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 Recipient's Ministry of Finance, Planning and Economic Development of the impact of the Project on poverty reduction.

4. The provision by the Recipient's Ministry of Local Government of technical advisory services for Ministry's role in supporting the 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: (a) the provision of technical advisory services to the eligible enterprises, and said institutions, agencies and entities for the strengthening of: (i) their business development capacities, and (ii) rural enterprise development services required for the Project; and (b) 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 Recipient or any agency of the Recipient 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.4 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.4 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 Recipient 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 Bank 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: (a) national shopping procedures, if available locally; or (b) 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: (a) goods estimated to cost less than \$2,000,000 equivalent; (b) works estimated to cost less than \$3,000,000 equivalent; and (c) 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 Recipient or an agency of the Recipient 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 Recipients" 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

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 Recipient 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 Recipient shall prepare and furnish to the Bank a Project Implementation Plan in a form and substance satisfactory to the Bank. The said Plan shall be subject to modification by agreement between the Recipient and the Bank.

(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 Recipient shall carry out the Project in accordance with the Project Implementation Plan and, except as the Recipient and the Bank shall otherwise agree, the Recipient shall not amend or waive any provision of the Project Implementation Plan, if in the opinion of the Bank, such amendment or waiver may materially and

Plan, if in the opinion of the Bank, such amendment or waiver may materially and adversely affect the carrying out of the Project or the achievement of the objectives thereof.

2. The Recipient shall prepare and furnish to the Bank a Financial Management and Procurement Plan in form and substance satisfactory to the Bank.

Part B: Grants and Subloans

3. (a) The Recipient shall ensure that, except as the Bank 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 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 Grants and Subloans.

4. The Recipient shall enter into agreements satisfactory to the Bank as a condition for the making of Grants and Subloans. 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 Recipient the right to:

(i) inspect by itself, or jointly with the Bank, if the Bank 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 Recipient or the Bank 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 Recipient shall no later than ninety (90) days after the Effective Date establish a unit, or make other appropriate arrangements, satisfactory to the Bank 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 Recipient 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 Bank, and furnish to the Bank, 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 Bank, not later than June 30, 2004, a midterm

(c) carry out, jointly with the Bank, 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 Bank, 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 Bank a report, in such detail as the Bank shall reasonably request, including an evaluation of the progress achieved in Project implementation; and

(e) not later than sixty (60) days after the Midterm Review: (i) prepare an action plan, acceptable to the Bank, 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 Bank related to the legal basis of the RE Board and REA.

7. The Recipient shall take all measures necessary to adopt and implement principles and procedures, satisfactory to the Bank, with respect to operations of the RE Board, REF, and REA by June 1, 2002, and shall refrain from introducing substantial changes thereto without prior consultation with the Bank.

SCHEDULE 5

Performance Indicators

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

1. Establishment of a regulatory system for rural electrification and satisfactory working of RE Board, REA and REF.
2. Establishment of a workable financial intermediation mechanism for rural electrification.
3. Satisfactory functioning of two independent grid rural electrification operations;
4. Satisfactory functioning of eighty percent (80%) percent of the energy systems provided to agriculture-linked users, health clinics, schools, and water facilities.
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.
7. Solar home system price reduction of thirty percent (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.
9. Phase I coverage objectives for rural telephony, internet points of presence and rural telecenters has been satisfactorily achieved.
10. Collection of at least eighty percent (80%) of the telecommunications universal service levy revenues that are billable by the end of Phase I has been achieved.