Global Environment Facility
Grant Agreement

(Energy for Rural Transformation Project II)

between

THE REPUBLIC OF UGANDA

and

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT
acting as an Implementing Agency of the Global Environment Facility

Dated August 27, 2009
AGREEMENT dated August 27, 2009, entered into between the REPUBLIC OF UGANDA ("Recipient"); and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT ("World Bank"), acting as an implementing agency of the Global Environment Facility ("GEF").

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 1, 2008 ("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, in this Agreement or in the IDA Financing 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") and consists of Parts 1, 2, 4 and 5 of the project ("IDA Project") described in the Financing Agreement dated the same date as this Agreement, between the Recipient and IDA, for an Energy for Rural Transformation Project II ("IDA Financing Agreement"). To this end, the Recipient shall carry out Part 1 of the Project through REA and Part 3 of the Project through its ministries responsible for energy, finance, health, education, water, agriculture, local government, and shall cause Parts 2 and 4 of the Project to be carried out by UECC and PSFU, respectively, in accordance with the provisions of Article II of the Standard Conditions and the agreement dated the same date as this Agreement between the World Bank and the Project Implementing Entities, as such agreements may be amended from time to time ("Project Agreement").

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 nine million United States Dollars ($9,000,000) (“Grant”) to assist in financing the Project.

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 referred to in Section 4.02 (i) of the Standard Conditions consist of the following:

(a) The Recipient has taken or permitted to be taken any action which would prevent or interfere with the performance by any of the Project Implementing Entities of their obligations under their respective Project Agreements.

(b) Any of Project Implementing Entities has failed to perform any obligation under its respective Project Agreement.

(c) IBRD or IDA has declared any of the Project Implementing Entities ineligible to be awarded a contract financed by IBRD or IDA.

(d) A situation has arisen which shall make it improbable that the Program, or significant part thereof, will be carried out.

(e) As a result of events which have occurred after the date of this Agreement, an extraordinary situation has arisen which makes it improbable for any of the Project Implementing Entity to perform its obligations under the Project Agreement.

(f) (i) Subject to sub-paragraph (ii) of this paragraph, the right of the Recipient to withdraw the proceeds of the Credit has been suspended, cancelled or terminated in whole or in part, pursuant to the terms of the IDA Financing Agreement.

(ii) Sub-paragraph (i) of this paragraph shall not apply if the Recipient establishes to the satisfaction of the Association that: (A) such suspension, cancellation, termination or prematuring was not caused by the failure of the Recipient to perform any of
its obligations under the IDA Financing Agreement; and (B) adequate funds for the Project are available from other sources on terms and conditions consistent with the Recipient’s obligations under this Agreement.

Article V
Effectiveness; Termination

5.01 This Agreement shall not become effective until evidence satisfactory to the World Bank has been furnished to the World Bank that the conditions specified below have been satisfied.

(a) The execution and delivery of this Agreement on behalf of the Recipient and the Project Agreements on behalf of the Project Implementing Entities have been duly authorized or ratified by all necessary governmental and corporate action.

(b) The Subsidiary Agreements referred to in Section 1B of Schedule 2 to this Agreement have been executed on behalf of the Recipient and each of the Project Implementing Entities.

(c) The IDA Financing Agreement dated the same date as this Agreement, has been executed and delivered and all conditions precedent to its effectiveness or to the right of the Recipient to make withdrawals under it (other than the effectiveness of this Agreement) have been fulfilled.

5.02 Except as the Recipient and the World Bank shall otherwise agree, this Agreement shall enter into effect on the date upon which the World Bank dispatches to the Recipient notice of its acceptance of the evidence required pursuant to Section 5.01 (“Effective Date”).

5.03 Termination for Failure to Become Effective. This Agreement and all obligations of the parties under it shall terminate if it has not entered into effect by the date 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 referred to in Section 7.02 of the Standard Conditions is its minister responsible for finance.

6.02. The Recipient’s Address referred to in Section 7.01 of the Standard Conditions is:

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

Facsimile:

256 (0)41-230163

6.03. The World Bank’s Address referred to in Section 7.01 of the Standard Conditions is:

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

Cable: INTBAFRAD
Telex: 248423 (MCI) or 1-202-477-6391
Washington, D.C. 64145 (MCI)
AGREED at Kampala, Republic of Uganda, as of the day and year first above written.

THE REPUBLIC OF UGANDA

By/s/ Syda N. M. Bbumba

Authorized Representative

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT
acting as an Implementing Agency of the Global
Environment Facility

By /s/ Kundhavi Kadiresan

Authorized Representative
SCHEDULE 1

Project Description

The objective of the Project is to increase access to energy and information and communication technologies in rural Uganda.

The Project constitutes the second phase of the Program, and consists of the following parts:

**Part 1: Rural Energy Infrastructure**

(a) Publicly Funded Grid Related Power Supply

Carrying out of publicly funded rural electrification investment schemes for the generation and supply of power through the main grid or independent grid systems.

(b) Off Grid Renewable Energy Investments

Provision of REA Subgrants to REA Eligible Enterprises for: (i) installation by REA Eligible Enterprises of solar photo-voltaic systems for use by rural enterprises and in homes; and (ii) construction of independent mini grids with renewable energy power supply.

(c) Technical Assistance

Provision of technical assistance to REA for the design, implementation, monitoring, and evaluation of grid-related and solar photo-voltaic energy systems.

**Part 2: Credit Support Facility**

(a) Establishment of a Credit Support Facility to support and facilitate the provision by PFIs of long term financing to CSF Eligible Enterprises carrying out CSF Subprojects.

(b) Provision of technical assistance to support the operationalization of the UECC, and thereafter strengthen the capacity of PFIs and CSF Eligible Enterprises to appraise or implement the CSF Subprojects.

**Part 3: Energy Development, Cross-Sectoral Links, and Impact Monitoring**

Support to the Recipient’s ministries responsible for energy, health, education, water, agriculture, finance and local government consisting of:
(a) support for the installation and maintenance of appropriate energy packages designed to address energy needs in rural facilities;

(b) provision of technical assistance and financing Operating Costs to assist with the preparation and carrying out of appropriate energy packages designed to address energy needs in rural facilities;

(c) provision of technical assistance and financing Operating Costs to assist in the monitoring of the poverty impacts of project investments;

(d) carrying out a program of capacity development and Training for the said ministries to further promote access to energy and ICT in rural areas, including support towards information dissemination, monitoring and evaluation of the Project.

Part 4: Private Sector Foundation Uganda

Provision of technical assistance and Training, and financing of Operating Costs, for the benefit of potential rural and/or renewable energy investment sponsors, financial institutions, technical institutions and other agencies, aimed at enhancing their business development capacities, including strengthening of rural enterprise development services through carrying out feasibility studies, market studies and financial engineering.
Section I. Institutional and Other Arrangements

A. Institutional Arrangements, Implementation Covenants and Other Undertakings, CSF Subprojects and REA Subprojects

1. The provisions of Sections I.A, B, E, F and G, and Section V of Schedule 2 to the IDA Financing Agreement are hereby incorporated by reference insofar as they relate to Parts 1, 2, 4 and 5 of the IDA Project, and all references in said Sections to the following terms are deemed to have the meanings set forth below in paragraph 2 of this Part A:

2. Terms:

   (a) “Association” means World Bank;

   (b) “Financing” means this Grant;

   (c) “Project” means this Project;

   (d) “Project Implementing Entity” means individually UECC or PSFU and “Project Implementing Entities” means collectively UECC and PSFU;

   (e) “Recipient” means the Recipient of this Grant;

B. Subsidiary Agreement

1. To facilitate the carrying out of Each Project Implementing Entity’s Respective Part of the Project, the Recipient shall make the proceeds of the Grant available to each Project Implementing Entity on grant terms under a subsidiary agreement (“Subsidiary Agreement”) between the Recipient and the respective Project Implementing Entity, under such other terms and conditions as shall be approved by the World Bank.

2. The Recipient shall exercise its rights under the Subsidiary Agreement in such manner as to protect the interests of the Recipient and the World Bank and to accomplish the purposes of the Grant. Except as the World Bank shall otherwise agree, the Recipient shall not assign, amend, abrogate or waive the Subsidiary Agreement or any of its provisions.
C. Anti-Corruption

The Recipient shall ensure that the Project is carried out in accordance with the provisions of the “Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants”, dated October 15, 2006 (“Anti-Corruption Guidelines”).

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 indicators set forth below in sub-paragraph (b) of this paragraph. Each Project Report shall cover the period of one calendar quarter, and shall be furnished to the World Bank not later than forty five (45) days 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) Megawatts of additional power generation from renewable sources.

(ii) Tons of carbon dioxide emissions reduced/avoided as a result of the project.

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 months before 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 not later than forty five (45) days after the end of each calendar quarter, covering the quarter, in form and substance satisfactory to the World Bank.

3. The Recipient shall 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: Procurement under IBRD Loans and IDA Credits” published by the World Bank in May 2004 and revised in October 2006 (“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 Borrowers” published by the World Bank in May 2004 and revised in October 2006 (“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 Methods 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 Methods of Procurement of Goods and Works. The following methods, other than International Competitive Bidding, may be used for procurement of goods and works for those contracts specified in the Procurement Plan: (a) National Competitive Bidding; (b) Limited International Bidding; (c) Shopping; and (d) Direct Contracting.
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 Methods of Procurement of Consultants’ Services. The following methods, other than Quality- and Cost-based Selection, may be used for procurement of consultants’ services for those assignments which are specified in the Procurement Plan: (a) Quality-based Selection; (b) Least Cost Selection; (c) Selection based on Consultants’ Qualifications; (d) Single-source Selection; (e) Selection of Individual Consultants; and (f) Sole Source Procedures for the Selection of Individual Consultants.

D. Review by the World Bank of Procurement Decisions

The Procurement Plan shall set forth those contracts which shall be subject to the World Bank’s Prior Review. 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:
<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Grant Allocated (expressed in $US)</th>
<th>Percentage of Expenditures to be Financed (inclusive of Taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) REA</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(a) Goods, works consultants’ services and Training for Part 1(a) and (c) of the Project</td>
<td>400,000</td>
<td>100%</td>
</tr>
<tr>
<td>(b) Subprojects under Part 1(b) of the Project</td>
<td>1,900,000</td>
<td>100% of eligible grant amount</td>
</tr>
<tr>
<td>(2) CSF</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(a) Subprojects under Part 2(a) of the Project</td>
<td>2,800,000</td>
<td>100% of UECC’s agreed percentage contributions to the Approved PFI Loans</td>
</tr>
<tr>
<td>(b) Technical assistance under Part 2(b) of the Project</td>
<td>300,000</td>
<td>100%</td>
</tr>
<tr>
<td>(3) Cross sectoral linkages</td>
<td>2,900,000</td>
<td>100%</td>
</tr>
<tr>
<td>Goods, works, consultant’s services, Training, and Operating Costs under Part 3 of the Project</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(4) PSFU Technical assistance under Part 4 of the Project</td>
<td>200,000</td>
<td>100%</td>
</tr>
<tr>
<td>(6) Unallocated</td>
<td>500,000</td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL AMOUNT</strong></td>
<td><strong>9,000,000</strong></td>
<td></td>
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</table>
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.

   (b) under Category (2) (a) unless: (i) the UECC has been made operational and provided with the requisite staffing and other resources to carry out Part 2 of the Project; (ii) a CSF Operational Manual, in form and substance acceptable to the World Bank has been adopted; (iii) a financial and procurement capacity assessment of UECC, in form and substance satisfactory to the World Bank, has been undertaken; and (iv) in respect of each PFI, a Participation Agreement, approved by the World Bank, has been executed, in accordance with Section I.G.2 of Schedule 2 to this Agreement.

2. The Closing Date referred to in Section 3.06 (c) of the Standard Conditions is June 30, 2013.