

CONFORMED COPY**The World Bank**

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
INTERNATIONAL DEVELOPMENT ASSOCIATION

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May 11, 2011

Mr. Fabian Kasi
Managing Director
Centenary Rural Development Bank
Plot No.7 Entebbe Road,
Talenta House
P.O. Box 1892
Kampala, Uganda

**Re: Agriculture Finance Support Facility (AgriFin) Grant to
Centenary Rural Development Bank, Uganda**

AgriFin Grant Agreement (TF097886)

Dear Mr. Kasi:

In response to the request for financial assistance made on behalf of Centenary Rural Development Bank (“Recipient”), I am pleased to inform you that the International Bank for Reconstruction and Development and International Development Association (“World Bank”), acting as administrator of grant funds provided by the Bill & Melinda Gates Foundation, under the Agriculture Finance Support Facility Trust Fund (“AgriFin”) TF071239, proposes to extend to the Recipient a grant in an amount not to exceed One Million United States Dollars (U.S.\$1,000,000) (“Grant”) on the terms and conditions set forth or referred to in this letter agreement (“Agreement”), which includes the attached Annex, to co-finance the project described in the Annex (“Project”), in accordance with the AgriFin Steering Committee approval, dated June 23, 2010.

This Grant is funded out of the abovementioned trust fund for which the World Bank receives periodic contributions. In accordance with Section 3.02 of the Standard Conditions (as defined in the Annex to this Agreement), the Recipient may withdraw the Grant proceeds subject to the availability of such funds.

The Recipient represents, by confirming its agreement below, that it is authorized to enter into this Agreement and to carry out the Project, in accordance with the terms and conditions set forth or referred to in this Agreement. The Recipient further represents that it commits to making available US\$1.1 million to finance the remaining portion of the total Project cost of US\$ 2.1 million.

Please confirm the Recipient’s agreement to the foregoing by having an authorized official of the Recipient sign and date the enclosed copy of this Agreement, and returning it to the World Bank. Upon receipt by the World Bank of this countersigned copy, this Agreement shall become effective as of the date of the countersignature; provided, however, that the offer

of this Agreement shall be deemed withdrawn if the World Bank has not received the countersigned copy of this Agreement within forty-five (45) days after the date of signature of this Agreement by the World Bank, unless the World Bank shall have established a later date for such purpose.

Very truly yours,
**INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT**

/s/ Juergen Voegele
Juergen Voegele
Director
Agriculture & Rural Development Department

CONFIRMED AND AGREED:

CENTENARY RURAL DEVELOPMENT BANK

By: /s/ Fabian Kasi

Name _____

Title: Managing Director

Date: May 25, 2011

Enclosures:

- (1) Standard Conditions for Grants Made by the World Bank Out of Various Funds, dated July 31, 2010.
- (2) Disbursement Letter dated the same date as this Agreement, together with World Bank Disbursement Guidelines for Projects, dated May 1, 2006

ANNEX I

Article I

Standard Conditions; Definitions

1.01. **Standard Conditions.** The Standard Conditions for Grants made by the World Bank out of Various Funds dated July 31, 2010 (“Standard Conditions”) constitute an integral part of this Agreement.

1.02. **Definitions.** 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.

(a) “AgriFin” means the Agriculture Finance Support Facility, a World Bank initiative, supported by the Bill and Melinda Gates Foundation.

(b) “Performance Report” means quarterly reports, prepared by the Recipient, detailing its overall performance on agriculture finance.

(c) “Project Implementation Plan” means the plan dated May 9, 2011 adopted by the Recipient and containing detailed arrangements regarding the implementation of the Project as such plan may be amended from time to time with the prior written approval of the World Bank.

**Article II
Project Execution**

2.01. **Project Objectives and Description.** The objective of the Project is to improve the Recipient’s rural finance capacity to benefit smallholder farmers, which will result in enhancement of its agriculture finance portfolio, as evidenced by an increase in the number of clients reached and volume of services provided, as well as a reduction in associated transaction costs and losses.

The Project consists of the following activities:

1. Establishment of an Agriculture Finance Department at the bank’s headquarters with strong management capacity.
2. Provision of staff training, including strategic technical assistance from financial institutions in Asia that have successfully financed agriculture projects.
3. Provision of technical assistance to build the capacity of key headquarters support units to carry out agriculture financing.
4. Establishment of five new satellite lending offices.
5. Rollout of innovative e-banking products in rural areas.

2.02 **Project Execution Generally.** The Recipient declares its commitment to the objectives of the Project. To this end, the Recipient shall carry out the Project in accordance with the

provisions of: (a) Article II of the Standard Conditions; (b) the “Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants”, dated October 15, 2006 and revised in January 2011 (“Anti-Corruption Guidelines”) (c) this Article II; and (d) the Project Implementation Plan.

2.03. *Project Monitoring, Reporting and Evaluation*

(a) The Recipient shall monitor and evaluate the progress of the Project and prepare the progress of the overall Project with a clear distinction of the activities financed under this Grant and prepare and submit such Progress Reports (in English) in accordance with the provisions of Section 2.06 of the Standard Conditions and in form and substance acceptable to the World Bank. Each Project Report shall cover the period of one calendar semester, and shall be furnished to the World Bank not later than one month after the period covered by such report. The Recipient shall provide such reports starting with the reporting period to end on June 30, 2011.

(b) The Recipient shall prepare the Project Completion Report (in English) in accordance with the provisions of Section 2.06 of the Standard Conditions. The Project Completion Report shall be furnished to the World Bank not later than three months after the Closing Date.

(c) The Recipient shall facilitate the preparation of a baseline and final assessment of the overall Project. These studies will be carried out by consultants contracted by the World Bank, under the Bank-Execution portion of the Agriculture Finance Support Facility (“AgriFin”) TF071239, based on terms of reference agreed with the Recipient.

(d) The Recipient shall provide quarterly Performance Reports on the Project (March 31, June 30, September 30 and December 31) that indicate the Recipient’s performance, both overall and that are related to agriculture finance, in form and substance acceptable to the World Bank, starting with the first quarter after the date of grant effectiveness, and up to the end of two years after the Closing Date. Each Performance Report shall cover the period of one calendar quarter, and shall be furnished to the World Bank not later than 15 days after the period covered by such report.

2.04. *Financial Management.*

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

(b) The Recipient shall ensure that interim unaudited financial reports for the Project are prepared and furnished, in English, to the World Bank, no later than one month after the end of each calendar semester (June 30 and December 31), covering the period, in form and substance satisfactory to the World Bank.

(c) The Recipient shall have its Financial Statements audited, in English, in accordance with the provisions of Section 2.07 (b) of the Standard Conditions. Each audit of the Financial Statements shall cover the period of one fiscal year of the Recipient. The Recipient’s audit reports will provide notes to clearly indicate the receipt and use of the Grant funds. The audited Financial Statements for each such period shall be furnished to the World Bank, no later than three months after the end of such period.

2.05. ***Procurement***

- (a) General. All goods 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:

(i) Section I excluding paragraph 1.16 of the “Guidelines: Procurement under IBRD Loans and IDA Credits” published by the World Bank in May 2004 and revised in October 2006 and May 1, 2010 (“Procurement Guidelines”), in the case of goods; and

(ii) Sections I excluding paragraph 1.24 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 and May 1, 2010 (“Consultant Guidelines”) in the case of consultants’ services.

(b) Definitions. The capitalized terms used in the following paragraphs of 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 the Consultant Guidelines, as the case may be.

(c) Particular Methods of Procurement of Goods

(i) Except as otherwise provided in sub-paragraph (ii) below, goods shall be procured under contracts awarded on the basis of International Competitive Bidding;

(ii) The following methods, other than International Competitive Bidding, may be used for procurement of goods for those contracts which the Bank agrees meet the requirements set forth in the Procurement Guidelines for their use: (A) National Competitive Bidding and (B) Shopping.

(iii) On goods contracts whose values are above US\$200,000, the International Competitive Bidding method of procurement will be used; all goods contract whose values are above US\$50,000 and below US\$200,000 will be procured using the National Competitive Bidding method of procurement; and all goods contracts whose contract values are below US\$50,000 will be procured using the Shopping method of procurement.

(d) Particular Methods of Procurement of Consultants’ Services

(i) Except as otherwise provided in item (ii) below, consultants’ services shall be procured under contracts awarded on the basis of Quality- and Cost-based Selection.

(ii) The following methods may be used for the procurement of consultants’ services for those assignments which the Bank agrees meet the requirements set forth in the Consultant Guidelines for their use: (A) Selection based on Consultants’ Qualifications; (B) Single-source Selection; (C) Selection of Individual Consultants; and (D) Sole Source Procedures for the Selection of Individual Consultants.

(iii) All firm consultant contracts whose contract values are equivalent to or above US\$100,000 will be procured using the Quality- and Cost-based Selection method of selection. All firm contracts whose values are below US\$100,000, except those in situations where Single-Source Selection method is appropriate, will be procured using the Consultant Qualification method of selection.

(e) Review by the World Bank of Procurement Decisions. 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) the first contract to be awarded in accordance with each procurement method regardless of contract value; (B) each contract for goods estimated to cost the equivalent of \$100,000 or more, (C) each contract for consultants' services provided by a firm estimated to cost the equivalent of \$100,000 or more; (D) all Single-Source consultant services provided by a firm or individual; and (E) the first three (3) individual consultant services whose contract values exceed US\$30,000. All other contracts shall be subject to Post Review by the World Bank.

(f) All terms of reference for consultant contracts valued at equivalent of US\$5,000 or more shall be subject to Prior Review by the World Bank.

Article III Withdrawal of Grant Proceeds

3.01. ***Eligible Expenditures.*** The Recipient may withdraw the proceeds of the Grant in accordance with the provisions of: (a) the Standard Conditions; (b) this Article; 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 47% of Eligible Expenditures consisting of goods, consultant services, training, and operating costs, inclusive of Taxes.

For purposes of this Grant Agreement, the Eligible Expenditures cited below have the following definition:

(a) "Operating Costs" means salary of dedicated staff working on agribusiness, but excluding salaries of consultants.

(b) "Training and workshops" means reasonable expenditures, incurred by the Recipient, to finance rental of training facilities and equipment; travel, per diem and accommodation of consultants, not otherwise covered under consultant services; and costs of training materials and supplies.

3.02. ***Withdrawal Conditions.*** Notwithstanding the provisions of Section 3.01 of this Agreement, no withdrawal shall be made for payments made prior to the date of countersignature of this Agreement by the Recipient.

3.03. ***Withdrawal Period.*** The Closing Date referred to in Section 3.06 (c) of the Standard Conditions is December 31, 2012.

Article IV
Recipient's Representative; Addresses

4.01. **Recipient's Representative.** The Recipient's Representative referred to in Section 7.02 of the Standard Conditions is the Chief Executive Officer.

4.02. **Recipient's Address.** The Recipient's Address referred to in Section 7.01 of the Standard Conditions is:

Mr. Fabian Kasi
Managing Director
Centenary Rural Development Bank
Plot No.7 Entebbe Road
Talenta House
P.O. Box 1892 - Kampala
Uganda

Phone: +256 (0) 414 340 298
Fax no: +256 (0) 414 348820
Email: Fabian.Kasi@centenarybank.co.ug

4.03. **World Bank Address.** 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

Attention: Program Coordinator
Agriculture Finance Support Facility (AgriFin)
Mail Stop: MC5-512
Agriculture and Rural Development Department

Telephone: + 1 202 473 5148
Email: anair@worldbank.org
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