CONFORMED COPY

CREDIT NUMBER 4297-UG

Financing Agreement

(Power Sector Development Operation)

between

REPUBLIC OF UGANDA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated May 28, 2007
FINANCING AGREEMENT

AGREEMENT dated May 28, 2007, entered into between the REPUBLIC OF UGANDA (“Recipient”) and INTERNATIONAL DEVELOPMENT ASSOCIATION (“Association”) relating to financing: (a) to assist in the carrying out of the Project (as defined in the Appendix to this Agreement), and (b) in support of the Program (as defined in the appendix to this Agreement) made on the basis, inter alia, of: (a) the actions which the Recipient has already taken under the Program and which are described in Section I of Schedule 2 to this Agreement; and (b) the Recipient’s maintenance of an appropriate macro-economic policy framework. The Recipient and the Association hereby agree as follows:

ARTICLE I — GENERAL CONDITIONS; DEFINITIONS

1.01. The General Conditions (as defined in the Appendix to this Agreement) 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 General Conditions or in the Appendix to this Agreement.

ARTICLE II — FINANCING

2.01. The Association agrees to extend to the Recipient, on the terms and conditions set forth or referred to in this Agreement, a credit in two portions as follows:

(a) an amount equivalent to fifty three million three hundred thousand Special Drawing Rights (SDR 53,300,000) (the Policy Support Portion); and

(b) an amount equivalent to one hundred and forty six million six hundred thousand Special Drawing Rights (SDR 146,600,000) (the Project Portion); (the Policy Support Portion and the Project Portion referred to collectively variously as, “Credit”, and “Financing”).

2.02. The Recipient may withdraw the proceeds of the Financing in accordance with Section II of Schedule 2 and Section IV of Schedule 3 to this Agreement.

2.03. The Maximum Commitment Charge Rate payable by the Recipient on the Unwithdrawn Financing Balance shall be one-half of one percent (1/2 of 1%) per annum.
2.04  The Service Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to three-fourths of one percent (3/4 of 1%) per annum.

2.05.  The Payment Dates are June 15 and December 15 in each year.

2.06.  The principal amount of the Credit shall be repaid in accordance with repayment schedule set forth in Schedule 4 to this Agreement.

2.07.  The Payment Currency is Dollars.

ARTICLE III — Program; Project

3.01.  The Recipient declares its commitment to the objectives of the Project and the Program. To this end:

(a)  the Recipient shall carry out Part 2.1, 2.2, 2.3, 2.4, 2.6 and 2.7 of the Project, and cause Parts 1 and 2.5 of the Project to be carried out by UETCL in accordance with the provisions of Article IV of the General Conditions and the Project Agreement;

(b)  the Recipient and the Association shall from time to time, at the request of either party, exchange views on the progress achieved in carrying out the Program;

(c)  prior to each such exchange of views referred to in subparagraph (b) of this Section, the Recipient shall furnish to the Association for its review and comment a report on the progress achieved in carrying out the Program, in such detail as the Association shall reasonably request; and

(d)  without limitation upon the provisions of paragraphs (b) and (c) of this Section, the Recipient shall exchange views with the Association on any proposed action to be taken after the disbursement of the Financing which would have the effect of materially reversing the objectives of the Program, or any action taken under the Program including any action specified in Section I of Schedule 2 to this Agreement.

3.02.  Without limitation upon the provisions of Section 3.01 (a) of this Agreement and except as the Recipient and the Association shall otherwise agree, the Recipient shall ensure that the Project is carried out in accordance with the provisions of Schedule 3 to this Agreement.
ARTICLE IV — REMEDIES OF THE ASSOCIATION

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

   (a) a situation has arisen which shall make it improbable that the Program, or a significant part of it, will be carried out; and

   (b) UETCL’s Memorandum and Articles of Association, and status of its incorporation pursuant to the Companies Act of the Recipient, have been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of UETCL to perform any of its obligations under the Project Agreement.

ARTICLE V — EFFECTIVENESS; TERMINATION

5.01. The Additional Condition of Effectiveness shall be that the Subsidiary Agreement has been executed on behalf of the Recipient and the UETCL.

5.02. The Additional Legal Matter shall be that the Subsidiary Agreement has been duly authorized or ratified by the Recipient and UETCL and is legally binding upon the Recipient and UETCL in accordance with its terms.

5.03. The Effectiveness Deadline is the date ninety (90) days after the date of this Agreement.

5.04. For purposes of Section 8.05 (b) of the General Conditions, the date on which the obligations of the Recipient under this Agreement (other than those providing for payment obligations) shall terminate is 20 years after the date of this Agreement.
ARTICLE VI — REPRESENTATIVE; ADDRESSES

6.01. The Recipient’s Representative is the Minister responsible for finance.

6.02. The Recipient’s Address is:

Ministry of Finance, Planning
and Economic Development
Plot # 2 – 12, Apollo Kagwa Road
P.O. Box 8147
Kampala, Uganda

Cable: FINSEC
Facsimile: 256 41 230163

6.03. The Association’s Address is:

International Development Association
1818 H Street, N.W.
Washington, D.C. 20433
United States of America

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

THE REPUBLIC OF UGANDA

By: /s/ Ezra Suruma
Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By: /s/ Grace M. Yabrudy
Authorized Representative
SCHEDULE 1

Project Description

The objective of the Project is to support the Recipient’s efforts to reduce short-term power shortage, improve the financing of its power sector, and facilitate longer-term sustained power sector expansion.

The Project consists of the following Parts:

Part 1  Thermal Energy

Supporting capacity for generation of additional power to alleviate shortages in the short term, including facilitating UETCL to purchase thermal power produced by a 50 MW thermal power generation plant at Mutundwe, in the territory of the Recipient.

Part 2  Energy Efficiency and Demand Side Management

1. Supporting MEMD in expanding a framework for a large scale program for energy efficiency and demand side management work, including, providing relevant training to develop the capacity of MEMD staff, and corresponding staff of identified relevant public and private entities, for energy efficiency and demand side management, providing logistic support to monitor ongoing initiatives, and implementation of communication and education campaigns.

2. Carrying out an independent evaluation of the rural electrification program.

3. Carrying out a poverty and social impact analysis, including examination of the distributional impact of power sector policy reforms.

4. Supporting MEMD to develop a power sector investment plan.

5. Carrying out a pre-feasibility and feasibility study for Masaka-Mutukula-Mwanza line and a proposed Lake Victoria Transmission Ring, as part of the interconnection infrastructure of power systems for the Recipient, Republic of Kenya and the United Republic of Tanzania, and for East Africa regional power transmission integration under a proposed regional power master plan.

6. Supporting a development plan, including revision of an existing development plan to institute mitigation measures at the Kalagala site on the River Nile, below Bujagali Falls to offset the loss of Bujagali Falls upon the construction of a proposed dam.
7. Supporting implementation of the energy sector communication strategy, including dissemination of key sector strategies and initiatives to the public.
SCHEDULE 2

Program Actions; Availability of Financing Proceeds

Section I. Actions under the Program

The actions taken by the Recipient under the Program include the following:

1. The Recipient has in accordance with paragraph 16 of the Letter of Development Policy, prepared a draft Energy Efficiency Strategy and Plan, in a form and substance satisfactory to the Association.

2. The Recipient has in accordance with paragraph 7 of the Letter of Power Sector Policy: (a) effected power tariff adjustments to ensure that there is adequate revenue to meet the power sector revenue requirement, taking into account all sources of such revenue, and to cover part of the high cost of thermal power; and (b) paid all its arrears that are due to UETCL.

3. The Recipient has in accordance with paragraphs 10, 20, 21, and 22 of the Letter of Power Sector Policy, completed the following specific power sector development measures:
   
   (a) confirmed to the Association, its commitment to conduct an independent evaluation of the rural electrification framework and institutions, under terms of reference satisfactory to the Association;
   
   (b) confirmed to the Association, its commitment to monitor, on a daily basis the abstraction of water from the Lake Victoria for power generation, including the amounts allowed under the Agreed Curve, and to submit a monthly report to the East African Community showing a comparison of actual abstraction to that allowed under the Agreed Curve;
   
   (c) confirmed to the Association, its continued participation in the Lake Victoria watershed management plans discussions alongside the other riparian countries; and
   
   (d) established a joint energy sector working group among its government, relevant private sector and civil society agencies, and the development partners that have indicated support to the energy sector, with a mandate and terms of reference acceptable to the Association.
Section II. Availability of Policy Support Portion of the Financing

A. General. The Recipient may withdraw the Policy Support Portion of the Financing in accordance with the provisions of this Section and such additional instructions as the Association may specify by notice to the Recipient.

B. Allocation of the Financing Amounts. The Policy Support Portion of the Financing shall be withdrawn in a single tranche. The allocation of the amounts of the Financing to this end is set out in the table below:

<table>
<thead>
<tr>
<th>Allocations</th>
<th>Amount of the Financing Allocated (expressed in SDR)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Single Tranche</td>
<td>53,300,000</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>53,300,000</td>
</tr>
</tbody>
</table>

C. Deposits of Financing Amounts. Except as the Association may otherwise agree:

   (a) all withdrawals from the Financing Account for the Policy Support Portion, shall be deposited by the Association into an account designated by the Recipient and acceptable to the Association; and

   (b) the Recipient shall ensure that upon each deposit of an amount of the Financing into this account, an equivalent amount is accounted for in the Recipient’s budget management system, in a manner acceptable to the Association.

D. Excluded Expenditures. The Recipient undertakes that the proceeds of the Financing shall not be used to finance Excluded Expenditures. If the Association determines at any time that an amount of the Financing was used to make a payment for an Excluded Expenditure, the Recipient shall, promptly upon notice from the Association, refund an amount equal to the amount of such payment to the Association. Amounts refunded to the Association upon such request shall be cancelled.
SCHEDULE 3

Project Execution

Section I. Subsidiary Financing; Institutional and Other Arrangements

A. Subsidiary Agreement

1. To facilitate the carrying out of UETCL’s respective Parts 1 and 2.5 of the Project, the Recipient shall make part of the Project Portion of the Financing available to UETCL under a subsidiary agreement between the Recipient and UETCL, under terms and conditions approved by the Association, which shall include the obligations of UETCL to:

(a) carry out Parts 1 and 2.5 of the Project with due diligence and efficiency, in conformity with appropriate administrative, financial, technical and environmental practices and in accordance with the Project Implementation Plan, and provide, or cause to be provided, promptly as needed, the facilities, services and other resources required for Parts 1 and 2.5 of the Project;

(b) comply with the procedures for procurement of goods, and consultant services set forth in the Procurement Plan;

(c) comply with record keeping, auditing and reporting requirements set forth in Section II(B) of the Schedule to the Project Agreement, including the annual auditing of its records and accounts in respect of the Parts 1 and 2.5 of the Project (operations, resources and expenditure in respect of the Project);

(d) at the request of the Recipient or the Association, exchange views with the Recipient and the Association with regard to the progress of Parts 1 and 2.5 of the Project and the performance of its obligations under the Subsidiary Agreement; and

(e) promptly inform the Recipient and the Association of any conditions which interferes or threatens to interfere with the progress of Parts 1 and 2.5 of the Project, or the performance of its obligations under the Subsidiary Agreement.

2. The Recipient shall exercise its rights under the Subsidiary Agreement in such manner as to protect the interests of the Recipient and the Association and to accomplish the purposes of the Financing. Except as the Association shall otherwise agree, the Recipient shall not assign, amend, abrogate or waive the Subsidiary Agreement or any of its provisions.
B. Institutional and Implementation Arrangements

1. **UETCL and MEMD.** The Recipient shall maintain, at all times until the completion of the Project: (a) UETCL for Parts 1 and 2.5 of the Project in accordance with the Project Agreement; and (b) MEMD with staffing and resources satisfactory to the Association, for Part 2.1, 2.2, 2.3, 2.4, 2.6 and 2.7 of the Project.

2. **Implementing Agencies**

   (a) Without limitation upon the provisions of Part B.1 of this Section, the Recipient shall ensure full participation of MEMD in all procurement under Part 1 of the Project.

   (b) Without limitation to sub-paragraph (a) of this paragraph: (i) UETCL Project Manager shall be responsible for the overall planning, coordination, procurement and monitoring performance of power suppliers under Part 1 of the Project, pursuant to the Power Purchase Agreements.

3. **Environmental and Social Safeguards**

   (a) The Recipient shall cause UETCL to carry out Part 1 of the Project in accordance with the environmental, social and resettlement guidelines, rules and procedures defined in the Environmental Impact Assessment Report, and the Resettlement Action Plan.

   (b) The Recipient shall not amend or waive, or permit to be waived, the Environmental Impact Assessment Report, and the Resettlement Action Plan, or any provision thereof, in a manner which, in the opinion of the Association, may materially and adversely affect the implementation of the Project.

   (c) The Recipient shall ensure that: (i) all measures for carrying out the recommendations of the Environmental Impact Assessment Report, and the Resettlement Action Plan are taken in a timely manner; and (ii) the Project Reports referred to in Part A of Section II of this Schedule shall include adequate information on monitoring the measures defined in the Environmental Impact Assessment Report, and the Resettlement Action Plan.

C. **Anti-Corruption**

   The Recipient shall ensure that the Project is carried out in accordance with the provisions of the Anti-Corruption Guidelines.

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

1. The Recipient shall in respect of Part 2.1, 2.2, 2.3, 2.4, 2.6 and 2.7 of the Project, monitor and evaluate the progress and prepare Project Reports in accordance with the provisions of Section 4.08 of the General Conditions and on the basis of the indicators set forth below in paragraph 2. Each Project Report shall cover the period of six months, and shall be furnished to the Association not later than one month after the end of the period covered by such report.

2. The performance indicators referred to above in paragraph 1 consist of the following:

   (a) level of energy shortages;

   (b) financial viability of key sectoral utilities; and

   (c) quality of functioning of the energy sector working group.

B. Financial Management, Financial Reports and Audits

1. The Recipient shall in respect of Part 2.1, 2.2, 2.3, 2.4, 2.6, and 2.7 of the Project, maintain, or cause to be maintained a financial management system in accordance with the provisions of Section 4.09 of the General Conditions.

2. Without limitation on the provisions of Part A.1 of this Section, the Recipient shall in respect of Part 2.1, 2.2, 2.3, 2.4, 2.6 and 2.7, prepare and furnish to the Association not later than 45 days after the end of each calendar quarter, interim un-audited financial reports for the Project covering the quarter, in form and substance satisfactory to the Association.

3. The Recipient shall have its Financial Statements audited in accordance with the provisions of Section 4.09 (b) of the General Conditions. Each 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 Association not later than six months after the end of such period.
Section III. Procurement

A. General

1. **Goods and Works.** All goods and works required for the Project and to be financed out of the proceeds of the Financing shall be procured in accordance with the requirements set forth or referred to in Section I of the Procurement Guidelines, and with the provisions of this Schedule.

2. **Consultants’ Services.** All consultants’ services required for the Project and to be financed out of the proceeds of the Financing shall be procured in accordance with the requirements set forth or referred to in Sections I and IV of the Consultant Guidelines, and with the provisions of this Schedule.

3. **Definitions.** The capitalized terms used below in this Section to describe particular procurement methods or methods of review by the Association 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 of procurement, other than International Competitive Bidding, may be used for goods and works under the circumstances specified in the Procurement Plan for each such method: (a) National Competitive Bidding; (b) Shopping; and (c) 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 of procurement, other than Quality- and Cost-based Selection, may be used for consultants’ services under the circumstances specified in the Procurement Plan for each such method: (a) Quality Based Selection; (b) Selection under a Fixed Budget; (c) Least Cost Selection; (d) Selection Based on Consultants’ Qualifications; (e) Single-source Selection; and (f) Procedures set forth in paragraphs 5.2 and 5.3 of the Consultant Guidelines for the Selection of Individual Consultants.
D. Review by the Bank of Procurement Decisions

1. Except as the Association shall otherwise determine by notice to the Recipient, the following contracts shall be subject to Prior Review by the Association: (a) each contract for works estimated to cost the equivalent of $500,000 or more; (b) each contract or goods estimated to cost the equivalent of $250,000 or more; (c) each contract for goods or works procured on the basis of Direct Contracting; and (d) each contract for consultants’ services provided by a firm estimated to cost the equivalent of $100,000 or more.

2. In addition, the following prior review procedures shall apply to each contract for the employment of individual consultants (other than consultants to be selected on a sole source basis) estimated to cost the equivalent of $50,000 or more: (i) the report on the comparison of the qualifications and experience of candidates, terms of reference and conditions of employment of the consultant shall be furnished to the Association for its prior review and approval; (ii) the contract shall be awarded only after the Association’s approval shall have been given; and (iii) the provisions of paragraph 3 and 5 of Appendix 1 to the Consultant Guidelines shall apply to the contract. The following prior review procedures shall apply to each contract for the employment of individual consultants to be selected on a sole source basis: (i) the qualifications, experience, terms of reference and conditions of employment of the consultants shall be furnished to the Association for its prior review and approval; (ii) the contract shall be awarded only after the Association’s approval shall have been given; and (iii) the provisions of paragraph 3 of Appendix 1 to the Consultant Guidelines shall apply to the contract.

3. All other contracts shall be subject to Post Review by the Association.

Section IV. Withdrawal of the Project Portion of the Financing

A. General

1. The Recipient may withdraw the Project Portion of the Financing in accordance with the provisions of Article II of the General Conditions, this Section, and such additional instructions as the Association shall 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 Association 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 Project Portion of the Financing (“Category”), the allocations of the amounts of the Credit 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 Credit Allocated (expressed in SDR)</th>
<th>Percentage of Expenditures to be Financed</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Goods, works and consultants’ services for Part 2.1, 2.2, 2.3, 2.4, 2.6 and 2.7 of the Project</td>
<td>7,030,000</td>
<td>100%</td>
</tr>
<tr>
<td>(2) Goods, works and consultants’ services for Parts 1 and 2.5 of the Project</td>
<td>139,160,000</td>
<td>100%</td>
</tr>
<tr>
<td>(3) Training and Workshops for Part 1 of the Project</td>
<td>140,000</td>
<td>100%</td>
</tr>
<tr>
<td>(4) Operating Costs</td>
<td>270,000</td>
<td>100%</td>
</tr>
<tr>
<td><strong>TOTAL AMOUNT</strong></td>
<td><strong>146,600,000</strong></td>
<td></td>
</tr>
</tbody>
</table>

**B. Withdrawal Conditions; Withdrawal Period**

1. Notwithstanding the provisions of Part A of this Section no withdrawal shall be made for payments made prior to the date of this Agreement.

2. The Closing Date is July 31, 2011.

**Section V. Other Undertakings under the Project**

**A. Appointment of Financial and Procurement Auditors**

1. The Recipient shall in respect of Part 2.1, 2.2, 2.3, 2.4, 2.6 and 2.7 of the Project, not later than six months after the Effective Date, appoint the independent auditors referred to in Section 4.09 (b) of the General Conditions, in accordance with the provisions of Section III of this Schedule.

2. The Recipient shall, not later than six months after the Effective Date, put in place arrangements, satisfactory to the Association, including the appointment of independent procurement auditors acceptable to the Association, in accordance with the provisions of Section III of this Schedule, for reviewing the procurement of goods, works and consultants’ services financed under Part 2.1, 2.2, 2.3, 2.4, 2.6 and 2.7 of the Project, including the reviewing of procurement procedures and processes.
B. **Procurement Audits**

The Recipient shall, not later than six months after the end of each Fiscal Year, or such later date as the Association may agree, furnish to the Association an audit report on the procurement of goods, works and consultants’ services carried out under Part 2.1, 2.2, 2.3, 2.4, 2.6 and 2.7 of the Project, prepared by the independent procurement auditors referred to in Part A.2 of this Section.

C. **Decommissioning of the thermal power stations**

The Recipient shall, prior to decommissioning of any thermal power station, consult with the Association. To this end, the Recipient shall take into account the Association’s views on a proposed decommissioning of a thermal power station.
SCHEDULE 4

Repayment Schedule

<table>
<thead>
<tr>
<th>Date Payment Due</th>
<th>Principal Amount of the Credit repayable (expressed as a percentage)*</th>
</tr>
</thead>
<tbody>
<tr>
<td>On each June 15 and December 15:</td>
<td></td>
</tr>
<tr>
<td>commencing June 15, 2017 to and including December 15, 2026</td>
<td>1%</td>
</tr>
<tr>
<td>commencing June 15, 2027 to and including December 15, 2046</td>
<td>2%</td>
</tr>
</tbody>
</table>

*The percentages represent the percentage of the principal amount of the Credit to be repaid, except as the Association may otherwise specify pursuant to Section 3.03 (b) of the General Conditions.
APPENDIX

Section I: Definitions

1. “Affected Persons” means the persons who, on account of the expansion of thermal power infrastructure at the Mutundwe site for execution of Part 1 of the Project had or would have their: (i) standard of living adversely affected; or (ii) right, title, interest in any house, land (including premises, agricultural and grazing land) or any other fixed or movable asset acquired or possessed, temporarily or permanently; (iii) access to productive assets adversely affected, temporarily or permanently; or (iv) business, occupation, work or place of residence or habitat adversely affected.

2. “Agreed Curve” means a curve established pursuant to Agreements under Exchange of Notes dated May 30, 1949, December 5, 1949, and January 5, 1953, between the United Kingdom of Great Britain and Northern Ireland and the Government of Egypt, regarding the construction of the Owen Falls Dam in the territory of the Recipient, and governing water releases from the Lake Victoria.


4. “Category” means a category set forth in the tables in Section II of Schedule 2, and Section IV of Schedule 3 to this Agreement.


7. “Energy Efficiency Strategy and Plan” means the Recipient’s plan referred to in Part 2.1 of the Project, and setting forth the strategy and plan for improving efficient utilization of energy.

8. “Environmental Impact Assessment Report” means the Environmental Impact Assessment Report for Mutundwe plant site dated March 2006, describing the set of mitigation, enhancement, monitoring, and institutional measures to be taken during implementation of Part 1 of the Project to mitigate adverse environmental and social impacts, offset them, or reduce them to acceptable levels, or to enhance positive impacts; as the said report may be amended and/or supplemented from time to time with the prior concurrence of the Association.
9. “Excluded Expenditure” means any expenditure relating to the Policy Support Portion of the Financing:

(a) for goods or services supplied under a contract which any national or international financing institution or agency other than the Association or the Bank has financed or agreed to finance, or which the Association or the Bank has financed or agreed to finance under another credit, grant or loan;

(b) for goods included in the following groups or sub-groups of the Standard International Trade Classification, Revision 3 (SITC, Rev.3), published by the United Nations in Statistical Papers, Series M, No. 34/Rev.3 (1986) (the SITC), or any successor groups or subgroups under future revisions to the SITC, as designated by the Association by notice to the Recipient:

<table>
<thead>
<tr>
<th>Group</th>
<th>Sub-group</th>
<th>Description of Item</th>
</tr>
</thead>
<tbody>
<tr>
<td>112</td>
<td></td>
<td>Alcoholic beverages</td>
</tr>
<tr>
<td>121</td>
<td></td>
<td>Tobacco, un-manufactured, tobacco refuse</td>
</tr>
<tr>
<td>122</td>
<td></td>
<td>Tobacco, manufactured (whether or not containing tobacco substitutes)</td>
</tr>
<tr>
<td>525</td>
<td></td>
<td>Radioactive and associated materials</td>
</tr>
<tr>
<td>667</td>
<td></td>
<td>Pearls, precious and semiprecious stones, unworked or worked</td>
</tr>
<tr>
<td>718</td>
<td>718.7</td>
<td>Nuclear reactors, and parts thereof; fuel elements (cartridges), non-irradiated, for nuclear reactors</td>
</tr>
<tr>
<td>728</td>
<td>728.43</td>
<td>Tobacco processing machinery</td>
</tr>
<tr>
<td>897</td>
<td>897.3</td>
<td>Jewelry of gold, silver or platinum group metals (except watches and watch cases) and goldsmiths’ or silversmiths’ wares (including set gems)</td>
</tr>
<tr>
<td>971</td>
<td></td>
<td>Gold, non-monetary (excluding gold ores and concentrates)</td>
</tr>
</tbody>
</table>

(c) for goods intended for a military or paramilitary purpose or for luxury consumption;
(d) for environmentally hazardous goods, the manufacture, use or import of which is prohibited under the laws of the Recipient or international agreements to which the Recipient is a party;

(e) on account of any payment prohibited by a decision of the United Nations Security Council taken under Chapter VII of the Charter of the United Nations; and

(f) with respect to which the Association determines that corrupt, fraudulent, collusive or coercive practices were engaged in by representatives of the Recipient or other recipient of the Financing proceeds, without the Recipient (or other such recipient) having taken timely and appropriate action satisfactory to the Association to address such practices when they occur.

10. “General Conditions” for the purpose of the Project means the “International Development Association General Conditions for Credits and Grants”, dated July 1, 2005 (as amended through October 15, 2006); and for the purpose of the Program, the term “General Conditions” means such General Conditions with the modifications set forth in Section II of this Appendix.


13. “Operating Costs” means the incremental operating costs incurred on account of the implementation of the Project including maintenance of vehicles, fuel, equipment, office supplies, utilities, consumables, bank charges, advertising expenses, travel per diems, allowances and accommodation, but excluding salaries of the Recipient’s civil servants.

14. “Project Manager” means UETCL project manager referred to in paragraph 1 of the Schedule to the Project Agreement.

15. “Procurement Guidelines” means the “Guidelines for Procurement under IBRD Loans and IDA Credits” published by the Bank in May 2004 (revised in October 2006).

16. “Procurement Plan” means the Recipient’s procurement plan for the Project, dated March 15, 2007, and referred to in paragraph 1.16 of the Procurement Guidelines and paragraph 1.24 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.

17. “Program” means the program of actions, objectives and policies designed to promote growth and financial stability of the power sector, and achieve sustainable reductions in
poverty, and set forth or referred to in the letter dated March 20, 2007, from the Recipient to the Association declaring the Recipient’s commitment to the execution of the Program, and requesting assistance from the Association in support of the Program during its execution.

18. “UETCL” means Uganda Electricity Transmission Company Limited, the implementing entity for Parts 1 and 2.5 of the Project, a body corporate established and operating pursuant to Companies Act (Cap 10) of the laws of the Recipient.


20. “Subsidiary Agreement” means the agreement referred to in Section I.A of Schedule 3 to this Agreement pursuant to which the Recipient shall make the proceeds of the Financing available to UETCL.

21. “Training and Workshops” means costs associated with the training of MEMD personnel involved in implementation of activities, and communication and creation awareness activities supported under Part 1 of the Project, including study tours, travel and subsistence costs for training participants, costs associated with securing the services of trainers, rental of training facilities, preparation and reproduction of training materials, and other costs directly related to course preparation and implementation.

Section II. Modifications to the General Conditions in respect of the Program

The modifications to the “International Development Association General Conditions for Credits and Grants”, dated July 1, 2005 (as amended through October 15, 2006) are as follows:

1. The last sentence of paragraph (a) of Section 2.03 (relating to Applications for Withdrawal) is deleted in its entirety.

2. Sections 2.04 (Designated Accounts) and 2.05 (Eligible Expenditures) are deleted in their entirety, and the remaining Sections in Article II are renumbered accordingly.

3. Sections 4.01 (Project Execution Generally), and 4.09 (Financial Management; Financial Statements; Audits) are deleted in their entirety, and the remaining Sections in Article IV are renumbered accordingly.
4. Paragraph (a) of Section 4.05 (renumbered as such pursuant to paragraph 3 above and relating to Use of Goods, Works and Services) is deleted in its entirety.

5. Paragraph (c) of Section 4.06 (renumbered as such pursuant to paragraph 3 above) is modified to read as follows:

“Section 4.06. Plans; Documents; Records

… (c) The Recipient shall retain all records (contracts, orders, invoices, bills, receipts and other documents) evidencing expenditures under the Financing until two years after the Closing Date. The Recipient shall enable the Association’s representatives to examine such records.”

6. Section 4.07 (renumbered as such pursuant to paragraph 3 above) is modified to read as follows:

“Section 4.07. Program Monitoring and Evaluation

… (c) The Recipient shall prepare, or cause to be prepared, and furnish to the Association not later than six months after the Closing Date, a report of such scope and in such detail as the Association shall reasonably request, on the execution of the Program, the performance by the Recipient and the Association of their respective obligations under the Legal Agreements and the accomplishment of the purposes of the Financing.”

7. The following terms and definitions set forth in the Appendix are modified or deleted as follows, and the following new terms and definitions are added in alphabetical order to the Appendix as follows, with the terms being renumbered accordingly:

(a) The definition of the term “Eligible Expenditure” is modified to read as follows:

“’Eligible Expenditure’ means any use to which the Financing is put in support of the Program, other than to finance expenditures excluded pursuant to the Financing Agreement.”

(b) The term “Financial Statements” and its definition as set forth in the Appendix are deleted in their entirety.
(c) The term “Project” is modified to read “Program” and its definition is modified to read as follows:

“Program’ means the program referred to in the Financing Agreement in support of which the Financing is made.” All references to “Project” throughout these General Conditions are deemed to be references to “Program”. 