

CONFORMED COPY

NUMBER B-0130-UG

INDEMNITY AGREEMENT

(Partial Risk Guarantee for the Private Power Generation (Bujagali) Project)

between

INTERNATIONAL DEVELOPMENT ASSOCIATION

and

REPUBLIC OF UGANDA

Dated July 18, 2007

INDEMNITY AGREEMENT

INDEMNITY AGREEMENT, dated July 18, 2007, between the REPUBLIC OF UGANDA (“**Uganda**”) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the “**Association**”).

(A) WHEREAS pursuant to a loan agreement dated on or about the date hereof (the “**IDA Guaranteed Facility Agreement**”), between Bujagali Energy Limited, a limited liability company organized under the laws of Uganda (the “**Company**”) and the financial institutions named therein as lenders (the “**IDA Guaranteed Lenders**”) and Absa Bank Limited as agent (the “**Agent**”) for the IDA Guaranteed Lenders, the IDA Guaranteed Lenders have agreed to make a loan to the Company of up to one hundred fifteen million United States Dollars (US\$115,000,000) (the “**Guaranteed Loan**”) to support a portion of the financing of the Bujagali Project (the “**Project**”), as defined in the Implementation Agreement dated December 13, 2005 between the Government of Uganda (the “**Government**” or “**GOU**”) and the Company (as it may be amended and restated with the Association’s consent) (the “**Implementation Agreement**”).

(B) WHEREAS the Government has undertaken certain obligations (including payment obligations) to the Company with respect to the Project pursuant to the Implementation Agreement and the Government Guarantee, which guarantees certain of UETC’s payment obligations under the PPA and agrees to compensate the Company for certain losses arising from Political Force Majeure Events, GOU Events of Default and UETC Events of Default (as each of the foregoing terms is defined herein and/or in the Implementation Agreement);

(C) WHEREAS at the request and with the agreement of Uganda, on or about the date hereof, the Association and the Agent (on behalf of the IDA Guaranteed Lenders) entered into an agreement (the “**IDA Guarantee Agreement**”) pursuant to which the Association agreed to guarantee (the “**IDA Guarantee**”) to the IDA Guaranteed Lenders the payment of interest and the repayment of the principal amount of the Guaranteed Loan on the terms and conditions set forth in the IDA Guarantee Agreement, but only on condition that Uganda agrees to reimburse to the Association all amounts paid by the Association in relation to or arising from the IDA Guarantee Agreement and to undertake such other obligations to the Association as are set forth in this Indemnity Agreement; and

(D) WHEREAS, in consideration of the Association providing the IDA Guarantee pursuant to the IDA Guarantee Agreement, Uganda has undertaken the obligations to the Association set forth in this Indemnity Agreement,

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

Incorporation of General Conditions and Modifications

Section 1.01. (a) The following provisions of the “General Conditions Applicable to Development Credit Agreements” of the Association, dated January 1, 1985 (as amended through May 1, 2004) (hereinafter the “**General Conditions**”), with the modifications set forth in paragraph (b) of this Section 1.01, constitute an integral part of this Indemnity Agreement:

- (i) Article I;
- (ii) Sections 2.01(1), (2), (3) and (4) both as modified below, (7), (8) as modified below, (9), (10) and (12) both as modified below, and (14);
- (iii) Sections 2.02 and 2.03;
- (iv) Sections 3.04(c) and 3.05;
- (v) Sections 4.05 and 4.06;
- (vi) Section 8.01;
- (vii) Sections 9.01, 9.02 and 9.08;
- (viii) Sections 10.01, 10.02 as modified below, and 10.03; and
- (ix) Article XI.

(b) The General Conditions, unless the context otherwise requires, shall be modified as follows:

- (i) the term “Borrower” wherever used in the General Conditions, means Uganda;
- (ii) the term “development credit” or “Credit” wherever used in the General Conditions, means the amounts payable by Uganda under this Indemnity Agreement, save as used in Section 9.01 of the General Conditions where it shall mean the Project;
- (iii) the term “Development Credit Agreement,” wherever used in the General Conditions, means this Indemnity Agreement;
- (iv) the term “Effective Date,” wherever used in the General Conditions, means the date specified in Article V of this Indemnity Agreement;
- (v) the term “Project,” wherever used in the General Conditions, means the Project as defined in the Preamble to this Indemnity Agreement; and

- (vi) in Section 10.02 the phrase “the IDA Guarantee Agreement, the IDA Guaranteed Facility Agreement, the Transaction Documents or any other related document” is added immediately after the phrase “the Development Credit Agreement.”

Section 1.02. Unless the context otherwise requires,

- (a) the several terms defined in the General Conditions and in the Preamble to this Indemnity Agreement have the respective meanings therein set forth;
- (b) the following terms shall have their respective meanings set forth in the Implementation Agreement: “Change in Law,” “Company Action or Inaction,” “Company Event of Default,” “Force Majeure Event,” “GOU Action or Inaction,” “GOU Event of Default,” “Land Licence,” “Laws of Uganda,” “Lease Agreement,” “Liquidity Facility Agreement,” “Other Force Majeure Event,” “Political Force Majeure Event,” “Power Station EPC Contracts,” “UETC Action or Inaction,” “UETC Event of Default,” “UETC Line,” and “UETC Line EPC Contract.”
- (c) the following additional terms shall have the following meanings:
 - (i) “Bank” means the International Bank for Reconstruction and Development;
 - (ii) “Demand” means a demand on the Association for payment under the IDA Guarantee Agreement, made by means of a Demand Notice;
 - (iii) “Demand Notice” means a demand presented to the Association by the Agent in accordance with Article 6 of the IDA Guarantee Agreement;
 - (iv) “Dispute” means a “dispute” as that term is used in Article XVI of the Implementation Agreement;
 - (v) “Environmental Management Plans” or “EMPs” means the two Social and Environmental Assessment (“SEA”) reports in respect of the Project and the UETC Line being financed and constructed for the benefit of UETC (the “UETC Line Project”), both dated December 2006, adopted by the Company and approved by the Association; the EMPs also set out the actions, measures, monitoring arrangements and other activities to be undertaken by the Company, as well as UETC and the Government, during implementation of the Project and the UETC Line Project, to mitigate adverse environmental and social impacts, offset them, or reduce them to acceptable levels, as such plans may be amended from time to time with the prior agreement of the Association;
 - (vi) “GOU Direct Agreement” means the agreement among the Government, the Company and the intercreditor agent (or agents) representing the lenders (including the IDA Guaranteed Lenders) to the Project dated on or about the date hereof;

- (vii) “Government Guarantee” means the agreement between the Government and the Company dated May 25, 2007 providing for GOU’s guarantee to the Company of UETC’s payment obligations under the PPA;
- (viii) “Guaranteed Obligation” means any obligation of the Government with respect to making a compensation payment or other payment upon termination of (or at any other time under) the Implementation Agreement or the Government Guarantee by reason of:
 - (a) any GOU Event of Default pursuant to Sections 15.2 (a), (b), (c), (d), (f), (g) or (h) of the Implementation Agreement;
 - (b) any UETC Event of Default pursuant to Sections 4.3(a), (b), (c) or (f) (but excluding any breach by UETC of the Liquidity Facility Agreement) of the PPA; or
 - (c) any Political Force Majeure Event pursuant to Sections 14.1(a)(i), (a)(ii), (a)(iii) or (a)(v) of the Implementation Agreement;
- (ix) “IDA Agreements” means the IDA Guarantee Agreement, this Indemnity Agreement, and the IDA Project Agreement;
- (x) “IDA Project Agreement” means the agreement dated on or about the date hereof between the Association and the Company;
- (xi) “Kalagala Falls Site” means the area designated as such on the map attached hereto;
- (xii) “Mabira Central Forest Reserve” means the area designated as such on the map attached hereto, including all use classifications set forth on such map as agreed with the Association;
- (xiii) “O&M Contractor” means the onshore and offshore operators who are parties to the Operation and Maintenance Agreements;
- (xiv) “Operation and Maintenance Agreements” means the offshore and onshore operations and maintenance services agreements between the Company and the O&M Contractor;
- (xv) “PPA” means the Power Purchase Agreement between UETC and the Company dated December 13, 2005 (as it may be amended and restated with the Association’s consent), providing for the long-term off-take arrangements between UETC and the Company;
- (xvi) “Prohibited Activities” means Corrupt Practices, Fraudulent Practices, Collusive Practices, Coercive Practices or Obstructive Practices in any way connected to the Project, as each of those terms is defined in Annex 1 hereof;

- (xvii) “Public Sector Entity” means:
- (a) the Government, the Parliament of Uganda, any governmental department or ministry, agency, body, instrumentality or public authority, whether national, state, regional or local (or any subdivision thereof), or any State Company or other entity subject to the overall control or direction as to matters of policy of the Government or which is otherwise controlled by the Government (including UETC);
 - (b) any court with jurisdiction over the Company or the Project or any part thereof; or
 - (c) any person having or asserting authority to issue a license, approval or consent required or necessary in connection with the Project, or otherwise having jurisdiction over any aspect of the Project;
- (xviii) “Relevant Project Agreements” means the Government Guarantee, the Implementation Agreement, the PPA, the UETC Line EPC Contract, the Power Station EPC Contracts, the Liquidity Facility Agreement, the GOU Direct Agreement, the UETCL Direct Agreement, the Land Licence, the Lease Agreement, and the Operation and Maintenance Agreements;
- (xix) “Resettlement Action Plans” means the plans titled “Assessment of Past Resettlement Activities and Action Plan” in respect of the Project and the “Resettlement and Community Development Action Plan” for the UETC Line, both dated and disclosed in December 2006 as part of the SEAs, for the Company’s as well as UETC’s and the Government’s implementation of the involuntary resettlement of displaced persons in conjunction with the development of the Project and the UETC Line Project;
- (xx) “State Company” means a legal entity which is directly or indirectly controlled by the Government. For the purpose of this definition, the Government will be deemed to have control if it:
- (a) holds an absolute majority of the votes in a shareholder meeting or equivalent corporate body; or
 - (b) holds more than fifty percent (50%) of the rights and interests which confer the power of management and control; or
 - (c) has the power to appoint a majority of the members of the governing body of such legal entity;
- (xxi) “Transaction Documents” means the Relevant Project Agreements and the IDA Agreements; and

- (xxii) “UETC” means Uganda Electricity Transmission Company Limited, a limited liability company held and controlled by the Government, and organized under the laws of Uganda;
- (xxiii) “UETCL Direct Agreement” means the agreement among UETC, the Company and the agent (or agents) representing the lenders (including the IDA Guaranteed Lenders) to the Project dated on or about the date hereof;
- (xxiv) “UETC Line EPC Contractor” means the contractor engaged by the Company or UETC to carry out the work under the UETC Line EPC Contract; and
- (xxv) “United States Dollars” or “US\$” or “US Dollars” means the lawful currency of the United States of America.

ARTICLE II

Indemnity by Uganda to the Association

Section 2.01. In consideration of the Association providing the IDA Guarantee on the terms and conditions set out in the IDA Guarantee Agreement, Uganda hereby irrevocably and unconditionally agrees:

(a) to reimburse the Association in US Dollars immediately upon written demand or as the Association may otherwise direct in writing for any amount paid by the Association under the IDA Guarantee Agreement together with interest thereon at the rate per annum determined by the Association and notified to Uganda (which rate shall not exceed the Bank’s prevailing lending rate for Fixed-Spread Loans denominated in US Dollars, as shown from time to time on the Bank’s external website) from the date such payment is made by the Association until such amount is paid in full;

(b) to indemnify the Association on demand in respect of all actions, proceedings, liabilities, claims, losses, damages, costs and expenses brought against, suffered or incurred by the Association which are reasonable and documented in relation to or arising out of the IDA Guarantee Agreement (except as otherwise provided in Section 10.03 (i) of the General Conditions);

(c) that (i) the Association is authorized to comply with any Demand Notice served on the Association pursuant to the IDA Guarantee Agreement and make any payments which are due or claimed from the Association under the IDA Guarantee (*provided* that the Association shall promptly notify Uganda of any such demand, but failure to give such notice shall in no way affect the Association’s obligation to make payment under the IDA Guarantee or Uganda’s obligation to reimburse or indemnify the Association pursuant to this Indemnity Agreement); and (ii) it shall not be incumbent on the Association to confirm whether or not any statements in such Demand Notice are in fact correct; and

(d) that any such Demand Notice shall, as between Uganda and the Association, be conclusive evidence that the demand is properly made and payment is due. Following the

notification to Uganda of the receipt by the Association of any Demand Notice, Uganda may investigate the validity of the statements in such Demand Notice and take such actions as Uganda may see fit against the Company, the Agent and the IDA Guaranteed Lenders in respect thereof, all without prejudice to the Association's obligations under the IDA Guarantee Agreement to make a payment in respect of such Demand Notice and to Uganda's obligations under this Indemnity Agreement in relation to its indemnity and payment obligations to the Association. The obligations of Uganda hereunder shall apply notwithstanding that Uganda, UETC or any Public Sector Entity disputes the validity of any such Demand Notice or the accuracy or correctness of any documentation, fact or figures relied upon or stated therein.

Section 2.02. (a) The obligations of Uganda under this Indemnity Agreement are irrevocable, absolute and unconditional irrespective of the value, genuineness, validity, regularity or enforceability of Uganda's obligations under the Implementation Agreement, the Government Guarantee, or any other Public Sector Entity's obligations under other Transaction Documents, and shall not be discharged except by performance and then only to the extent of such performance. Such obligations shall not be subject to any prior notice to, demand upon or action against the Company, the Agent, the IDA Guaranteed Lenders or any other person, or any prior notice to or demand upon Uganda with regard to any failure by the Company or Uganda to pay any amount in respect of which a Demand Notice is served on the Association pursuant to the IDA Guarantee Agreement. Such obligations shall not be impaired by any of the following: (i) any extension of time, forbearance, concession or other indulgence given to the Association, the Company, the Agent, the IDA Guaranteed Lenders or any other person; (ii) any variation of the IDA Guaranteed Facility Agreement, or any Transaction Document or any other related agreement; (iii) any assertion of, or failure to assert, or delay in asserting, by any party to a Transaction Document, any right, power or remedy against Uganda, UETC, the Company or any other person, or in respect of any security created or purported to be created for the Guaranteed Loan (or any part thereof or interest thereon); or (iv) any other circumstances which would or might (but for this provision) constitute a release, discharge, defense or waiver for Uganda.

(b) The Association may at any time, without thereby discharging, impairing or otherwise affecting any rights, powers and remedies hereby created or conferred upon it by any IDA Agreement, the IDA Guaranteed Facility Agreement, or any other related agreement or by law: (i) offer or agree to or enter into any agreement for the extension or variation of the IDA Guarantee Agreement, the IDA Guaranteed Facility Agreement (other than, without Uganda's consent, any such extension or variation that would materially increase the obligations of Uganda under this Indemnity Agreement), any Transaction Document or any other related agreement; and (ii) offer or give or agree to give any time or other indulgence to any person or entity other than Uganda from whom it may seek reimbursement (at law or otherwise) in respect of sums paid out or liabilities incurred by the Association under the IDA Guarantee Agreement.

(c) Any rights conferred on the Association by this Indemnity Agreement shall be in addition to, and not in substitution for or derogation of, any other right that the Association may have at any time to seek from Uganda, UETC, the Company or any other person or entity, reimbursement of or indemnification against payments made or liabilities arising from or in connection with the IDA Guarantee Agreement.

(d) The Association shall not be obliged before or after taking steps to enforce any rights conferred on it by this Indemnity Agreement or exercising any of the rights, powers and

remedies conferred upon the Association by the IDA Agreements, the IDA Guaranteed Facility Agreement or any other Transaction Document, or any other related agreement or by law: (i) to take action or obtain judgment or award in any court or tribunal of competent jurisdiction against any other person (including persons from whom it may seek reimbursement in respect of sums paid out or liabilities incurred pursuant to the IDA Guarantee Agreement); or (ii) to enforce or seek to enforce any other rights it may have against Uganda or its rights against or security given by any other person including, but not limited to, security provided by the IDA Guaranteed Lenders to the Association.

Section 2.03. Any payment required to be made by Uganda pursuant to the terms of this Indemnity Agreement shall be applied first, to pay all interest and other charges due to the Association and second, after such interest and other charges are paid, to pay all other amounts then due to the Association under this Indemnity Agreement.

ARTICLE III

Project-Related Covenants

Section 3.01. Without limitation or restriction upon any of its other obligations under this Indemnity Agreement, Uganda hereby undertakes to the Association to punctually perform all of its obligations under the Transaction Documents and to cause UETC and each relevant Public Sector Entity to punctually perform all of its obligations under the relevant Transaction Documents to which it is a party or which are otherwise applicable to each of them respectively, to the extent the breach of or failure to perform any such obligation could lead to a Demand under the IDA Guarantee Agreement.

Section 3.02. Uganda shall not take, or permit UETC or any other Public Sector Entity to take, any action which would prevent or interfere with the performance by Uganda or any such Public Sector Entity of any of its material obligations under the Transaction Documents (or any other related agreement) to which it is a party, and Uganda shall notify and cause UETC and each such Public Sector Entity to notify the Association prior to agreeing to any material amendment, waiver, termination or other change to any Transaction Document to which Uganda, UETC or any Public Sector Entity is a party, and shall obtain the written consent of the Association (not to be unreasonably withheld) prior to agreeing to any such material amendment, waiver, termination or other change to such an agreement or undertaking which would or could in the opinion of the Association materially affect the rights or obligations of the Association under the IDA Agreements or any other Transaction Document (including any assignment, transfer, novation, abrogation, granting of security over or other disposition of any rights or obligations under such agreements).

Section 3.03. Uganda shall, and shall cause UETC and each other Public Sector Entity performing obligations under or related to the Transaction Documents or related agreements or undertakings, to promptly notify the Association of: (a) the receipt or giving by Uganda, UETC or the Company (as the case may be) of any notice, claim, demand, payment or recovery for or in respect of any Company Action or Inaction, Company Event of Default, Force Majeure Event, GOU Action or Inaction, GOU Event of Default, Other Force Majeure Event, Political Force Majeure Event or UETC Event of Default; and (b) the occurrence of any other event or

circumstance that would or could: (i) result in the breach or termination of any Transaction Document; or (ii) affect the Company's, GOU's, Uganda's or UETC's ability to perform its obligations or exercise its rights under the Transaction Documents.

Section 3.04. Uganda shall take all lawful actions within its power to remedy and cure any GOU Event of Default (including a Change in Law) or any other event referred to in Section 3.03 within Uganda's, UETC's or a Public Sector Entity's control or responsibility, that would or could result in the breach or termination of any of the relevant Transaction Documents, or that could adversely affect the Government's ability to perform its obligations or exercise its rights under the Implementation Agreement or the Government Guarantee or the ability of any of the Public Sector Entities to perform its obligations or exercise its rights under the relevant Transaction Documents.

Section 3.05. Uganda shall take all lawful action within its power so as not to create or permit to exist or occur, and shall ensure that neither UETC nor any other Public Sector Entity shall create or permit to exist or occur, any circumstance or Change in Law that would render obligations under a relevant Transaction Document illegal, invalid, unenforceable, ineffective or void in whole or part, and will not initiate or permit any Public Sector Entity to initiate a Dispute in violation of the Implementation Agreement. If such circumstance or Change in Law exists or occurs, or a Dispute is initiated, Uganda shall take all lawful actions within its power to remedy and cure, or to procure that UETC or the appropriate Public Sector Entity remedies and cures, the adverse effect on the Project of such circumstance, Change in Law or Dispute.

Section 3.06. Uganda shall:

(a) set aside the Kalagala Falls Site exclusively to protect its natural habitat and environmental and spiritual values in conformity with sound social and environmental standards acceptable to the Association. Any tourism development at the Kalagala Falls Site will be carried out only in a manner acceptable to the Association and in accordance with the aforementioned standards. Uganda also agrees that it will not develop power generation that could adversely affect the ability to maintain the above-stated protection at the Kalagala Falls Site without the prior agreement of the Association. In addition, GOU undertakes to conserve through a sustainable management program and budget mutually agreed by the Government and the Association (no later than expiration of the prevailing sustainable management program or such later date as the Association may agree), the present ecosystem of the Mabira Central Forest Reserve, as well as the Kalagala Central Forest Reserve and the Nile Bank Central Forest Reserve on the banks of Kalagala Falls (as such Reserves are included within the Kalagala Falls Site). Upon receiving the Association's notice of a termination (or prospective termination) of the IDA Guarantee Agreement (whether by the Association's payment thereunder or otherwise) which in turn may lead to a termination of the Project or this Agreement, Uganda will enter into discussions with the Association regarding an extension (and the terms of any extension) of the afore-mentioned setting aside of and undertakings in respect of the Kalagala Falls Site (including the Kalagala Central Forest Reserve and the Nile Bank Central Forest Reserve) and the Mabira Central Forest Reserve;

(b) carry out promptly or cause to be carried out promptly any action required to be performed by it or by any Public Sector Entity (including UETC) under the Environmental Management Plans and the Resettlement Action Plans;

(c) take all action that shall be necessary on its part or on the part of UETC or any other Public Sector Entity to enable the Company (i) to obtain any required approval or environmental or social authorization for the Company to perform its obligations under the Environmental Management Plans and the Resettlement Action Plans (so long as the Company has properly applied for such approval or authorization in accordance with the Laws of Uganda and/or any applicable Transaction Document provision), and (ii) to perform all of its obligations under the IDA Agreements and the Transaction Documents;

(d) not take any action or cause or permit UETC or any other Public Sector Entity to take any action that would prevent or interfere with the performance by the Company of such obligations referred to in Section 3.06(b) above;

(e) deliver, or cause UETC to deliver, to the Association a copy of its annual audited financial statements within six (6) months of their certification; and

(f) not take or permit to be taken any action that would prevent or interfere with the Company's performance of its obligations under the IDA Agreements.

Section 3.07. Uganda affirms to the Association that no Prohibited Activities have been engaged in by any official or representative of Uganda or any Public Sector Entity with respect to the Project or the UETC Line Project and declares its commitment to enforce the laws of Uganda against Prohibited Activities during and with respect to the performance of any contract or activity related to the Project.

Section 3.08. Without prejudice to Sections 9.01 and 9.02 of the General Conditions, Uganda shall, upon request, promptly provide the Association all information necessary, in the reasonable opinion of the Association, for the Association's review of Uganda's performance of its covenants pursuant to Sections 3.06 and 3.07 above.

Section 3.09. Without limitation of its rights under this Indemnity Agreement, the Association will notify Uganda as soon as practical following any reduction in amount, suspension or revocation of suspension, or termination of the IDA Guarantee.

ARTICLE IV

Remedies of the Association

Section 4.01. In the event that: (i) Uganda fails to make any payment to or to indemnify the Association as required pursuant to Section 2.01 of this Indemnity Agreement; (ii) Uganda defaults in the performance of any of its obligations hereunder and such failure or default continues and remains uncured in the opinion of the Association for sixty (60) days or more after notice thereof shall have been given to Uganda by the Association; or (iii) any representation made by Uganda in or pursuant to this Indemnity Agreement, or any statement furnished in connection with this Indemnity Agreement and intended to be relied on by the Association in providing the IDA Guarantee, shall in the opinion of the Association have been incorrect in any material respect, the Association shall be entitled, in addition to any other rights and remedies it

may have, to suspend or cancel in whole or in part Uganda's right to make withdrawals under any development credit agreement or financing agreement between the Association and Uganda or under any loan or guarantee between the Bank and Uganda, or to declare the outstanding principal and interest of any such credit or loan due and payable immediately.

ARTICLE V

Effective Date

Section 5.01. This Indemnity Agreement shall come into force and effect upon signature by the parties, but save as otherwise may be provided hereunder, shall have no force or effect following the Government's satisfaction of all Guaranteed Obligations and the termination of the IDA Guarantee Agreement.

ARTICLE VI

Miscellaneous Provisions

Section 6.01. The Minister of Finance of Uganda is hereby designated as representative of Uganda for the purposes of Section 11.03 of the General Conditions.

Section 6.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For Uganda:

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

Facsimile: 1-256-414-230163

For the Association:

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

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

IN WITNESS WHEREOF, the parties hereto, acting through their duly authorized representatives, have caused this Indemnity Agreement to be signed in their respective names in Washington, D.C. as of the day and year first above written.

REPUBLIC OF UGANDA

/s/ Charles Ssentongo
By: _____
Authorized Representative

Name (printed): Charles Ssentongo

Title: Charge D' Affairs, Embassy of Uganda

INTERNATIONAL DEVELOPMENT ASSOCIATION

/s/ Grace Yabrudy
By: _____
Authorized Representative

Name (printed): Grace Yabrudy

Title: Country Manager for Uganda

ANTI-CORRUPTION GUIDELINES FOR WORLD BANK GUARANTEE TRANSACTIONS

The purpose of these Guidelines is to clarify the meaning of the terms “Corrupt Practices,” “Fraudulent Practices,” “Coercive Practices,” “Collusive Practices” and “Obstructive Practices” in the context of IFC, MIGA and World Bank Guarantee (Partial Risk Guarantee – PRG) operations.

1. CORRUPT PRACTICES

A “Corrupt Practice” is the offering, giving, receiving or soliciting, directly or indirectly, of anything of value to influence improperly the actions of another party.

INTERPRETATION

A. Corrupt practices are understood as kickbacks and bribery. The conduct in question must involve the use of improper means (such as bribery) to violate or derogate a duty owed by the recipient in order for the payor to obtain an undue advantage or to avoid an obligation. Antitrust, securities and other violations of law that are not of this nature are excluded from the definition of corrupt practices.

B. It is acknowledged that foreign investment agreements, concessions and other types of contracts commonly require investors to make contributions for bona fide social development purposes or to provide funding for infrastructure unrelated to the project. Similarly, investors are often required or expected to make contributions to bona fide local charities. These practices are not viewed as Corrupt Practices for purposes of these definitions, so long as they are permitted under local law and fully disclosed in the payor's books and records. Similarly, an investor will not be held liable for corrupt or fraudulent practices committed by entities that administer bona fide social development funds or charitable contributions.

C. In the context of conduct between private parties, the offering, giving, receiving or soliciting of corporate hospitality and gifts that are customary by internationally-accepted industry standards shall not constitute corrupt practices unless the action violates applicable law.

D. Payment by private sector persons of the reasonable travel and entertainment expenses of public officials that are consistent with existing practice under relevant law and international conventions will not be viewed as Corrupt Practices.

E. The World Bank Group does not condone facilitation payments. For the purposes of implementation, the interpretation of “Corrupt Practices” relating to facilitation

payments will take into account relevant law and international conventions pertaining to corruption.

2. FRAUDULENT PRACTICES

A “Fraudulent Practice” is any action or omission, including misrepresentation, that knowingly or recklessly misleads, or attempts to mislead, a party to obtain a financial benefit or to avoid an obligation.

INTERPRETATION

A. An action, omission, or misrepresentation will be regarded as made recklessly if it is made with reckless indifference as to whether it is true or false. Mere inaccuracy in such information, committed through simple negligence, is not enough to constitute a “Fraudulent Practice” for purposes of World Bank Group sanctions or remedies.

B. Fraudulent Practices are intended to cover actions or omissions that are directed to or against a World Bank Group entity. It also covers Fraudulent Practices directed to or against a World Bank Group member country in connection with the award or implementation of a government contract or concession in a project financed by the World Bank Group. Frauds on other third parties are not condoned but are not specifically sanctioned in IFC, MIGA, or PRG operations. Similarly, other illegal behavior is not condoned, but will not be sanctioned as a Fraudulent Practice under World Bank Group operations.

3. COERCIVE PRACTICES

A “Coercive Practice” is impairing or harming, or threatening to impair or harm, directly or indirectly, any party or the property of the party to influence improperly the actions of a party.

INTERPRETATION

A. Coercive Practices are actions undertaken for the purpose of bid rigging or in connection with public procurement or government contracting or in furtherance of a Corrupt Practice or a Fraudulent Practice.

B. Coercive Practices are threatened or actual illegal actions such as personal injury or abduction, damage to property, or injury to legally recognizable interests, in order to obtain an undue advantage or to avoid an obligation. It is not intended to cover hard bargaining, the exercise of legal or contractual remedies or litigation.

4. COLLUSIVE PRACTICES

A “Collusive Practice” is an arrangement between two or more parties designed to achieve an improper purpose, including to influence improperly the actions of another party.

INTERPRETATION

Collusive Practices are actions undertaken for the purpose of bid rigging or in connection with public procurement or government contracting or in furtherance of a Corrupt Practice or a Fraudulent Practice.

5. OBSTRUCTIVE PRACTICES

An "Obstructive Practice" is (i) deliberately destroying, falsifying, altering or concealing evidence material to the investigation or making false statements to investigators, in order to materially impede a World Bank Group investigation into allegations of a Corrupt, Fraudulent, Coercive or Collusive Practice, and/or threatening, harassing or intimidating any party to prevent it from disclosing its knowledge of matters relevant to the investigation or from pursuing the investigation, or (ii) acts intended to materially impede the exercise of the World Bank Group entity's access to contractually required information in connection with a World Bank Group investigation into allegations of a Corrupt, Fraudulent, Coercive or Collusive Practice.

INTERPRETATION

Any action legally or otherwise properly taken by a party to maintain or preserve its regulatory, legal or constitutional rights such as the attorney-client privilege, regardless of whether such action had the effect of impeding an investigation, does not constitute an Obstructive Practice.

GENERAL INTERPRETATION

A person should not be liable for actions taken by unrelated third parties unless the first party participated in the prohibited act in question.