

**PROJECT INFORMATION DOCUMENT (PID)
APPRAISAL STAGE**

Report No.: AB7442

Project Name	IDA Guarantee for Renewable Energy Development Program
Region	Africa
Sector	Hydropower, Other Renewable Energy
Project ID	P133318
Borrower(s)	The Republic of Uganda
Implementing Agency	
Environment Category	<input type="checkbox"/> A <input checked="" type="checkbox"/> B <input type="checkbox"/> C <input type="checkbox"/> FI <input type="checkbox"/> TBD (to be determined)
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I. Country and Sector Background

1. Uganda's recent economic growth enabled substantial poverty reduction and led to progress toward reaching Millennium Development Goals (MDGs). Real Gross Domestic Product (GDP) growth has averaged around four percent over the past two decades due to rapid population growth. Uganda has surpassed the 2015 Millennium Development Goal (MDG) of halving the 56 percent poverty rate recorded in 1992-93 – it declined to 24.5 percent by 2009-10. GDP growth accelerated from an average of 6.5 percent per year in the 1990s to over 7 percent during the 2000s. Growth remained well above the Sub-Saharan Africa average in the face of consecutive exogenous shocks, including the secondary effects of the global economic crisis, bad weather and surges in international commodity prices. Since FY2009/10, a combination of the exogenous shocks and domestic factors reduced economic activity down to below historical levels. Subdued export performance, high inflation and subsequent tightening of monetary policy to restore macroeconomic stability, reduced GDP growth to 3.3 percent in FY 2011/12, compared to 6.7 percent in FY 2010/11. In FY13, growth rose to 5.8 percent as a result of fiscal and monetary adjustments.

2. Like any other rapidly growing developing country, Uganda requires an adequate and reliable electricity supply for sustainable growth and development. Access to electricity enhances socioeconomic development through better access to education, health care, improved income opportunities and security. Electricity can also facilitate the development of small and medium scale enterprises (SME) and provides added incentive for larger-scale industrial and commercial investment. Despite being endowed with substantial renewable and non-renewable resources that can generate electricity, Uganda has not been able to provide reliable, cost effective electricity to meet the demand of its growing economy.

3. Uganda Vision 2040 lays out the broad policy directives to improve electricity access and transform Uganda to a modern and prosperous country within 30 years. Vision 2040 sets out an electricity access target of 80 percent by 2040. Uganda's National Development Plan (NDP) covering the period FY11-15 highlights the urgent need to increase access and usage of electricity through investments in least cost power generation, promotion of renewable energy

and energy efficiency, and development of associated transmission and distribution infrastructure.

4. The World Bank Group (WBG) Country Assistance Strategy (CAS) for the period FY11 to FY15 notes specifically that inadequate infrastructure, especially transport and energy, is Uganda's binding constraint for growth and economic transformation. The CAS includes enhancement of public infrastructure among its strategic objectives. The CAS Progress Report discussed with the Board of Executive Directors in August 2012 gives high priority to support the GoU to identify and facilitate infrastructure projects that will induce private sector investment in new products, to increase exports and new jobs. The CAS Progress Report places emphasis on transformational operations and related investments to support the WBG goals of ending extreme poverty and promoting shared prosperity, with more emphasis on infrastructure (including hydro-power generation), agricultural productivity, access to markets and skills development.

5. About a decade ago, Uganda unbundled its energy sector. The unbundling resulted in three corporate entities responsible for electricity generation, transmission and distribution: Generation – Uganda Electricity Generation Company Limited (UEGCL); Transmission - Uganda Electricity Transmission Company Limited (UETCL); and Distribution - Uganda Electricity Distribution Company Limited (UEDCL). The Government of Uganda has since leased the operation of the main generation and distribution assets to the private sector under long-term concession agreements. The management and operation of UEDCL's Kiira and Nalubale hydropower stations was leased to Eskom (Uganda) Limited. The management and operation of UEDCL's distribution assets was contracted out to several licensed distribution companies (LDCs) of which the predominant one is Umeme Limited (a private distribution concessionaire). Successful unbundling of the electricity sector and private sector distribution in Uganda continues to be a success story of the African continent.

6. However, the electricity sector still faces some significant challenges related to inadequate sector performance and low levels of investments in generation, transmission and distribution infrastructure. To improve the financial situation of the sector, GoU adjusted electricity tariffs in 2012 in order to make them more cost reflective. At present the average retail tariff is about US\$0.20/kWh. To enhance the level of access to electricity, which is currently estimated at about 14 percent, GoU has recently approved the Rural Electrification Strategy and Plan (RESP) for the period 2013-2022 which sets out a rural electricity access target of 26 percent by 2022. To reduce the high level of system losses in the power sector, GoU has agreed with Umeme Limited to reduce the high voltage technical loss from about 8.0 percent in 2013 to about 5.2 percent by 2019, and overall distribution loss from about 25.5 percent in 2013 to about 14.7 percent by 2019. To help achieve these targets, the Energy Regulatory Authority (ERA) has approved Umeme's investment plan to introduce prepayment meters and reinforce the distribution network.

II. Objectives

7. The Program Development Objective is to increase electricity generation capacity of Uganda through renewable energy based small private power producers.

III. Rationale for Bank Involvement

8. Development partners, including the World Bank Group, have been supporting the GoU to address its energy challenges, including strengthening its public institutions and bringing in the private sector. The electricity sector has recorded major gains on institutional reforms and in generating capacity with support from different development partners.

9. The World Bank Group has been playing a major role in supporting the GoU to develop the energy sector.

10. On generation, for the Bujagali Hydropower Plant, financial support was provided through IDA, IFC and MIGA interventions. The Power Sector Development Operation (PSDO), closed in 2011, provided US\$300 million, partly to provide budget support, and partly to finance the high fuel cost of a 50 MW emergency thermal power plant.

11. To develop the national grid, the Bank is financing the 220 KV Kawanda-Masaka transmission lines. Over the last eight years, the Bank supported the concession of the public distribution infrastructure. The Energy for Rural Transformation Program (ERT) has supported the implementation of the Rural Electrification Strategy and Plan (RESP). The first phase of the program (ERT-1) covered the period 2001 through 2009 and was followed by a second phase being implemented from 2009 through 2016. However, access to electricity in rural areas had reached 7 percent by mid-2013 with only 10-20 percent of consumers connected. In view of this low level of rural electricity access, the GoU plans to increase the level of access for the rural population through a number of bilateral and multilateral funded programs. The GoU is preparing the third phase for ERT which is expected to be funded by the World Bank and other development partners.

12. To support efficient delivery of power to consumers, the GoU has started rehabilitation and upgrade of the transmission system and the distribution network. The GoU is also discussing regional interconnections with neighboring countries under the East African Power Pool (EAPP) which is supported by the World Bank and other donors.

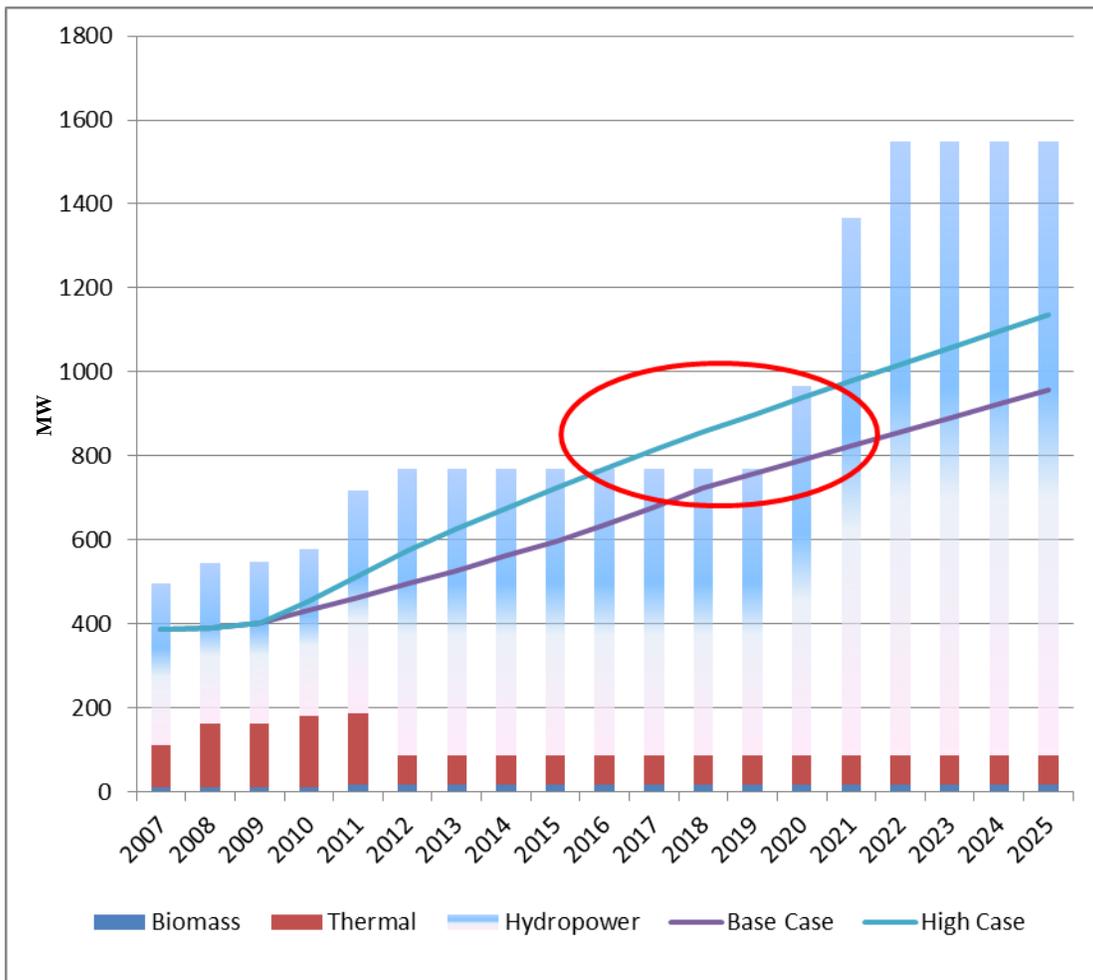
13. Over the last few years, large hydropower generation has been insufficient to meet electricity demand in Uganda which has led the sector to slowly rely on more costly thermal generation. Prior to 2005, the electricity demand in Uganda was largely met by hydropower generation. The prolonged drought from 2005-2010 caused a sharp decline in water levels in Lake Victoria and reduced available hydropower output from an average 270 MW in 2002 to 120 MW during the drought period. To mitigate the negative impacts of power shortages that resulted from the drought, GoU resorted to emergency rental thermal plants. A total of 120 MW of emergency high speed diesel (HSD) power plants were connected to the grid by 2008. Given the high cost of these rental plants, and GoU's reluctance to pass through the full cost of power to the consumers, the sector has faced a difficult financial situation over the last several years.

14. GoU has faced difficulties keeping pace with electricity demand growth, even as it has been steadily implementing its plans to increase hydropower generation. Growth in electricity demand has remained above total available generation resulting in power rationing and blackouts. Only after the commissioning of the Bujagali (250 MW) hydropower project during

the first half of 2012, Uganda had surplus power and reduced production from the emergency rental power plants. The next large hydropower plants in the pipeline are Karuma (600 MW) and Isimba (180 MW), which are expected to be commissioned by 2020. Preparatory studies have been initiated by the GoU for the Ayago hydropower project (600 MW).

15. Based on the estimated demand growth, generation supply shortages could start from 2016 until another large power plant is brought online. This may cause Uganda to revert to the increased use of expensive rental power plants to meet electricity demand if cheaper, quicker to deploy solutions are not found.

Chart 1: Demand Supply Balance without the SIPPs under REFiT



16. In order to avoid power shortage and reduce the reliance on expensive thermal power plants, GoU plans to harness its other renewable energy resources and hence plans to promote the Small Independent Power Producers (SIPPs). Chart 1 above shows the electricity demand supply balance without any market intervention to develop small renewable energy projects. This is termed as Business as Usual Scenario. Under this scenario, GoU was able to retire its expensive thermal power plants as the 250 MW Bujagali power plant came into operation in 2012. The additional power from Bujagali will meet the demand growth in Uganda till 2016 as

per the high case load forecast. The planned large hydropower plants are expected to come online by 2020 or beyond and there is a high risk that Uganda will again face supply shortage to meet its growing electricity demand from 2016-2020. Given the complexities related to large hydropower plant construction, the period of supply shortage in Uganda could be much larger than shown in Chart 1.

17. GoU sees many benefits with the development of SIPP projects. These include: (i) the development and implementation periods of many of these projects is much shorter than the large hydropower plants; (ii) multiple projects could be initiated and developed simultaneously without posing a huge financial and management burden on the Government; (iii) if developed and commissioned soon, these small hydropower plants could help avert a return to the use of expensive rental power plants; and (iv) their geographic distribution throughout the country helps increase the reliability of power generation.

18. In addition, instead of depending on few large power plants, the country would have access to small plants which will diversify and transfer the hydrology/water availability risk within the generation sub-system from the Nile River and Lake Victoria to other river basins and watersheds. The distributive generation can also help increase rural access as electricity generated from these smaller geographically dispersed power plants would be closer to the consumers.

19. It should be noted that the future commissioning of planned large hydropower plants is expected to result in surplus power that GoU plans to export to neighboring countries. At present, Uganda trades electricity with Kenya and Tanzania, but to export large volumes of electricity, all three countries need to strengthen their transmission interconnectors and enter into long term supply contracts. Discussions with South Sudan and DRC to connect them with the Uganda National Grid have also been initiated.

IV. Description

20. The proposed IDA PRGs for the Renewable Energy Development Program will have the following two components.

(a) IDA PRGs supporting Letters of Credit (L/C) to be issued on behalf of UETCL and the GoU to cover liquidity and/or termination risks.

(b) IDA PRGs in support of commercial debt covering risk of repayment resulting from GoU's default under the IA.

21. These two components have been identified based on the Bank's market sounding and discussions with several project stakeholders. In an effort to mitigate the perceived UETCL payment risks, the standardized Power Purchase Agreement (PPA) under the current REFiT framework requires that UETCL provides a payment guarantee in the form of a Letter of Credit (L/C) that could be drawn against by an investor (SPPPs) in case of UETCL's payment default of a monthly invoice. In addition to this payment guarantee mechanism to be offered by UETCL, the GoU in consultation with ERA also decided to further enhance the perceived credit risk of UETCL, by assuming certain payment obligations for pre-determined political risks, including termination. Such obligations were ultimately defined in the standardized Implementation

Agreement (IA), which was developed by the GoU and ERA in parallel to the PPA. The IA will be entered into directly between the GoU, represented by the MEMD, and the SPPP.

22. The Bank has identified two major market risks which are limiting private sector participation in Uganda's power sector. These are: (i) the risk of timely payment to the SIPPs for electricity supply; and (ii) the risk perception of local and international commercial banks about the power sector (arising from the payment risks and risks associated with political and/or regulatory issues or force majeure).

23. Discussions with stakeholders have confirmed that risk mitigation instruments--such as an IDA Guarantee--could be very effective in removing the existing market barriers.

(i) IDA Payment Guarantee

24. The standardized Power Purchase Agreement¹ (PPA) under the current REFiT framework that governs hydropower projects requires that UETCL provides a payment guarantee to each SIPP in case of UETCL's payment default. The PPA defines that each payment guarantee will be for a predetermined amount, which is not to exceed six months of monthly invoices. This payment guarantee is required in order to allow the SIPPs to make timely payments to their lenders providing senior loans to each SIPP.

25. There is a need for a credit enhancement mechanism to prevent lenders from claiming any payment defaults (by UETCL under the PPA) and from requesting immediate acceleration of their loans in case of missed payments. If such credit enhancement was not in place and UETCL failed to make the required payment by the due date, the lenders would be entitled to make claims for accelerated payments.

26. Under the first component, the Government will provide a payment guarantee backstopped by IDA. For those projects supported through a payment guarantee backstopped by IDA, the repayment by UETCL of amounts drawn under the payment guarantee would be guaranteed by IDA. The specific terms governing such payment guarantees to be backstopped by IDA would be included in a separate "PRG Support Agreement" to be entered into by UETCL and each SIPP.

27. The payment guarantee is to be issued by a commercial bank in the form of a letter of credit. IDA will backstop payments made by the commercial bank issuing the letters of credit (L/C) to support UETCL's payment obligations to the SIPPs under the standardized PPA. Annex 8 provides an indicative term sheet for the typical IDA Payment Guarantee structure based on an L/C. The key features of the indicative term sheet are set forth below:

- (a) A commercial bank (L/C bank) will establish an L/C facility from which it will issue separate revolving L/Cs for the benefit of each SIPP. The L/C could be drawn by the SIPP in the event UETCL fails to comply with its contractual payment

¹ The World Bank team has reviewed the PPA and also the related standardized IA and provided its comments to both Agreements. Subject to incorporating Bank's comments the Agreements were found satisfactory for providing IDA Guarantee

obligations under the relevant PPA, as detailed under the PRG Support Agreement to be entered into by UETCL and each SIPP.

(b) Pursuant to a Reimbursement and Credit Agreement between UETCL and the L/C bank, UETCL would agree to reimburse the L/C bank the amounts drawn under the L/C plus accrued interest within an agreed time period not to exceed [12 months]. If reimbursement is made to the L/C bank within the agreed time period, the L/C would be reinstated by the L/C bank. However, if UETCL fails to reimburse the L/C bank within the agreed time period, the L/C bank would have the right to request reimbursement directly from the World Bank under the IDA Guarantee for the drawn amount plus accrued interest, based on the Umbrella Guarantee Agreement to be entered between the World Bank and the L/C bank. Amounts paid by IDA will be deducted from IDA's total guaranteed amount and the relevant L/C would not be reinstated.

28. It is expected that under the REFiT program a certain number of PPAs (representing up to 20 individual mini-hydropower projects) would be concluded between UETCL and each SIPP. As per the current draft PPA, UETCL is required to provide an individual payment guarantee for each PPA. Individually, the absolute dollar amounts under each SIPP would be relatively small. Thus, to simplify the issuance and implementation process, UETCL will competitively select one commercial L/C bank to put in place the umbrella L/C facility. The selected L/C bank would then issue individual L/Cs for individual projects that are eligible for the IDA Guarantee support. On the basis of the Bank's current due diligence it is expected that under this credit enhancement a total of [US\$ 25] million could cover the L/Cs principal, interest due and unpaid by UETCL.

29. The Bank team is currently also discussing with the GoU the possibility to avail a second L/C which would support UETCL's obligation for payment of a Termination amount in case of a GoU/UETCL Event of Default. Whether such a second form of security with World Bank Guarantee backstop is to be availed will be decided during project appraisal. In case such an additional backstop would be provided under this project component the required L/C amounts will be significantly higher than the currently estimated [US\$25] million.

30. The availability of the proposed risk mitigation through the IDA Guarantee is a key condition for candidate L/C banks that are currently working with UETCL, to provide a substantial amount of L/Cs over a longer period. Currently UETCL only manages to receive a payment guarantee from its relationship banks for a period of 12 months. In addition, L/C banks currently require from UETCL substantial collateral for their L/Cs through pledged revenue streams that UETCL receives from the distribution company Umeme for the wholesale of electricity. With a repayment support from the IDA Guarantee, it is expected that the commercial banks would be available to issue multi-year L/Cs, which would not need annual renewals as currently applied and may also be issued without further collateral requirement. Thereby, the IDA Guarantee support would have a positive impact on UETCL's costs of related as the payment of fees for the annual renewal of L/Cs with commercial banks would no longer be required.

31. The IDA Payment Guarantee structure has been discussed with the GoU, and with the GETFiT Secretariat, which is in close contact with the private sector developers applying for mini-hydro projects under the REFiT framework. The IDA Payment Guarantee structure has

been explained to UETCL relationship commercial banks. Further market sounding with those banks would be carried out during appraisal to finalize the proposed structure. Annex 3 provides further details with respect to the contractual relations currently envisaged between different stakeholders under the IDA Payment Guarantee.

32. As mentioned above, UETCL will contract with one commercial bank to set up an L/C umbrella facility. Under the umbrella facility, the L/C bank would then issue individual L/Cs for each project selected under the REFiT framework. This L/C bank will be chosen on the basis of a competitive process handled by UETCL.

33. UETCL's current relationship banks have already shown interest in providing a long term L/C guaranteed by IDA, as the L/C bank will rely on IDA's credit risk as opposed to the project merits or UETCL's creditworthiness. IDA expects the L/C bank selection to be made following the Board decision on this operation with financing and IDA Guarantee documents in connection with the first appraised projects to be signed thereafter.

(ii) IDA Loan Guarantee

34. The GETFiT Secretariat and UETCL have informed the Bank that in the current first batch of GETFiT premium eligible projects, no commercial lenders have been attracted. Debt financing to individual SIPPs is mainly assumed by bilateral or multi-lateral financing agencies. The main reason currently seems to be the commercial lenders risk perception of UETCL and the Uganda power sector. Despite a proposed payment guarantee to cover ongoing payment default of UETCL up to the predetermined amount, commercial lenders currently may require additional support to engage in mini-hydro projects in Uganda under the REFiT framework.

35. Consultation with UETCL's relationship commercial banks revealed that they received several applications from the first batch of SIPPs for debt support. However, security instruments provided to the SIPPs through the Power Purchase Agreement and the Implementation Agreement were not adequate given the risk appetite. The SIPP sponsors also did not have strong balance sheets to raise the debt. Several of the commercial banks are aware of the IDA Guarantee instrument and have sufficient experience to provide debt based on IDA Guarantee in Uganda. They have showed interest to participate in financing the SIPPs under the REFiT program provided IDA Guarantee support is extended to cover the debt repayment risk of the sponsors.

36. On that basis the Bank and the GoU/UETCL discussed the possibility of whether the World Bank Guarantee support availed by this project could be extended to also include Loan Guarantees for direct coverage of commercial debt at the level of the SIPPs. In such a case, IDA would issue individual Loan Guarantees for renewable energy projects eligible for the World Bank support. The Loan Guarantee would cover an individual SIPP's commercial lender against certain GoU and/or UETCL payment obligations with regard to this project, including debt repayment and/or termination obligation.

37. On the basis of the current information available about the underlying REFiT program, an additional IDA Guarantee support for the coverage of commercial debt could be availed by 8 projects out of 20 small hydropower projects identified. Considering the current project cost

estimates of individual projects and assuming a commercial debt financing of such projects with up to 75 percent, significant portion of this Guarantee would be utilized in provision of such structures. It is expected that about US\$135 million may be needed to issue individual IDA Guarantees for up to 8 SIPPs with an average size of about 5 MW.

38. Under the proposed structure, commercial lenders would be entitled to demand the portion of any principal and/or interest debt payment which has fallen due under the IDA guaranteed commercial loans and that has not been paid by the project company as a result of the failure of the UETCL or Government to pay undisputed amounts. In the case of a dispute between the Government and the project company in respect of such payments, the IDA Guarantee would be callable only if the Government is obligated to pay and has failed to do so as provided under the relevant contractual dispute resolution provisions.

39. Under this structure, IDA would potentially cover the risk of debt service default for the covered lenders arising from: (a) political force majeure events; (b) changes in law making the project contractual agreements unenforceable or void or making the performance of the project company or its contractor (and related parties, such as subcontractors) unlawful; (c) government imposed restrictions on the ability of project company to be paid or to receive foreign currency or transfer funds abroad; and (d) failure by the Government to fulfill its payment obligations relating to UETCL’s purchase of power and termination payments due by UETCL.

V. Guarantee

Source:	(\$m.)
IDA Guarantee	160.00
Total	160.00

VI. Implementation

40. The proposed IDA Guarantee Program will be implemented in alignment with the GoU’s GETFiT Program. The selection criteria adopted by the GETFiT Secretariat and the appraisal methodology used by the Bank to identify projects eligible for the IDA Guarantee are similar. At the first batch of project selection process, the Bank reviewed the 8 SIPPs. Field visit to 6 SIPPs were carried out jointly with the GETFiT Secretariat and the Bank was comfortable with the level of detailed evaluation the GETFiT Secretariat carried out. The Bank is therefore, working with GETFiT Secretariat to streamline the evaluation process between the GETFiT premium payment and the IDA Guarantee, and utilize the information collected by the Secretariat to carry out its appraisal of the projects. The Bank will enter into a Memorandum of Understanding (MoU) with the GETFiT Secretariat to get access to this timely and required information. This implementation arrangement will increase efficiency in managing several players working for the same cause. However, while the Bank will receive relevant appraisal information from the GETFiT Secretariat and will also receive the GETFiT’s Semiannual Supervision Reports, the Bank will remain responsible for the appraisal of projects and the determination of eligibility for IDA Guarantees. The Bank may contact the sponsors directly to supplement its appraisal when required.

41. The above methodology would work well for projects that would apply for both GETFiT premium and IDA Guarantee. Sponsors will only apply for the IDA Guarantee and not the GETFiT premium will have to contact the Bank directly and the Bank will complete its own due diligence of such projects, without any support from GETFiT Secretariat.

A. Institutional and implementation arrangements

42. Each project will be implemented by private project companies that will have overall responsibility for the design, finance, supply, commissioning, operation and maintenance of the plants for the duration of the PPAs. Each project company will set up an appropriate management structure to undertake its project.

B. Results Monitoring and Evaluation

43. As the Implementing Agency of the GETFiT Program, ERA will receive semiannual progress report from the GETFiT Secretariat. The Secretariat, as part of their role to supervise and monitor the development of the GETFiT program will prepare semiannual progress reports on the status of each project, supported under the program. IDA's Indemnity Agreement with GoU will create the conditions for sharing the GETFiT Secretariat's semiannual progress report with IDA. The Bank would also receive reports under its Project Agreements with each of the SIPPs.

44. In addition, UETCL prepares detailed annual reports describing the supply and demand situation of its network, along with information regarding dispatching of individual power plants and their average cost of production. The key project performance indicators on the amount and cost of electricity generated by each project will be therefore provided as part of UETCL's normal reporting procedures. Detailed information can be made available from projects and UETCL on the basis of PPA invoicing and payment records which the parties will be requested to share with IDA. IDA's Indemnity Agreement with the GoU would create the conditions for sharing of UETCL's information with IDA.

C. Sustainability

45. The GoU has demonstrated its strong commitment to develop the hydropower potential of the country under arrangements that will enhance project efficiency and cost-effectiveness. Aside from its strategy to develop the potential of the Nile River, the GoU has also clearly stated its strategy to develop decentralized supply for accelerated access of rural population of Uganda to electricity. Developing the small power plants under the proposed IDA Guarantee will take the GoU one step closer towards achieving this goal. This decentralized generation will reduce Uganda's dependence on the Nile River and will increase its power supply reliability.

46. To reduce the revenue risk of these small hydropower projects, GoU has offered to compensate the SIPPs for the deemed energy². Through the deemed energy clause, the GoU is not only reducing the sponsors revenue risk but is also incentivizing its offtaker to maintain

² As per the deemed energy clause provided in the Power Purchase Agreement (PPA), if after commissioning, the SIPP is prevented from delivering electricity to UETCL then the SIPP will be compensated for the energy that it could have delivered, after adjusting for certain provisions of the clause.

industry standards on routine maintenance and breakdown management. When the large power plants are commissioned, GoU will also have to manage its surplus capacity either through long term export contracts with neighboring countries or allow the SIPPs to sell directly to large customers or to mini grids.

47. The ERA revised the Uganda electricity tariff in January 2012. With this last revision, the retail tariff electricity tariff in Uganda increased to about US\$ 0.20/ kWh, one of the highest tariffs in East Africa. The Bulk Supply Tariff (BST) has also been adjusted upwards. With this level BST, UETCL is now meeting most of its power purchase cost, instead of the capacity payments to the rental power plants. It is expected that the development of renewable energy projects, will lower the average power purchase cost in Uganda. If the GoU is able to retire its rental power plants from the system, then with the current level of tariff UETCL will be able to recover its full cost. This will not only improve the creditworthiness of the sector, it will also make the sector sustainable in the long run.

48. By supporting the development of these hydropower projects, the Project will support the GoU strategy and contribute to the sustainability and transparency.

D. Guarantee conditions and covenants

49. IDA Guarantee related agreements to which IDA will be a party will contain standard warranties, representations and covenanted undertakings for guarantees.

VII. Lessons Learned from Past Operations in the Country/Sector

50. The team reviewed several relevant guarantee operations from Africa and other regions. Some of these programs are Nigeria Electricity and Gas Improvement Project (NEGIP) (P106172), Uganda Private Power Generation (Bujagali) Project (P089659), Cameroon Kribi Gas Power Project (P110177), Indonesia Infrastructure Guarantee Fund Project (P118916), Peru Guarantee Facility (P088923), WAEMU Capital Market Development Project (P074525) and the Kenya Private Sector Power Generation Support Project (P122671).

51. One common challenge that the team identified from reviewing these projects is that when an ‘umbrella guarantee facility’ solely was created, the individual projects subsequently failed to materialize as the Bank or other donors were not directly involved in project preparation. In contrast, the recent experience of a series of PRGs in Kenya has worked well. The important difference was that Board approval was sought for the creation of the umbrella PRG facility, as well as for the PRG to be provided to one or more fully prepared projects.

52. To confirm adequate interest of sponsors to develop such projects and seek IDA Guarantee, the Bank developed the proposed guarantee structure and appraised several projects that have advanced their project preparation. The projects were found at different stages of preparation and require marginal upgrade to become eligible for the IDA Guarantee program.

53. Supporting a large number of smaller projects, can lead to high transaction costs for the Bank in project preparation and supervision. By cooperating closely with the GETFiT Secretariat and sharing information, as planned, the Bank can reduce its transaction cost (and those of the

clients) without sacrificing appraisal quality. The Bank will also receive semiannual supervision reports from the GETFiT Secretariat. This aspect of the project design is expected to significantly improve project management efficiency and streamline implementation between GETFiT Program and IDA Guarantee Program.

VIII. Safeguard Policies (including public consultation)

Performance Standards	Yes	No
PS 1: Assessment and Management of Environmental and Social Risks and Impacts	X	
PS 2: Labor and Working Conditions	X	
PS 3: Resource Efficiency and Pollution Prevention	X	
PS 4: Community Health, Safety, and Security	X	
PS 5: Land Acquisition and Involuntary Resettlement	X	
PS 6: Biodiversity Conservation and Sustainable Management of Living Natural Resources	X	
PS 7: Indigenous Peoples		X
PS 8: Cultural Heritage	X	

IX. List of Factual Technical Documents

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