APPENDIX A:
PROGRAM DESCRIPTION
Solar Energy Uganda Limited – Uganda

I. Introduction

This appendix describes the activities to be undertaken and the results to be achieved with the funds obligated under this Agreement. Nothing in this Appendix A shall be construed as amending any of the definitions, conditions, or terms of the Agreement.

II. Background

Solar Energy Uganda (SEU) promotes the use of renewable energy to increase the supply of energy power in Uganda. SEU offers its customers a variety of products and services for solar energy systems. However, SEU has been unable to assist large numbers of rural people due to insufficient working capital to procure and stock adequate numbers of input parts from its dependable suppliers abroad. Because of this, SEU has had to purchase some of these parts locally at very high prices that translate into high costs for its clients, most of whom are poor. Due to limited resources, SEU's end-user loan fund is small, its base of technical expertise is narrow, and its sales and marketing force is weak.

III. Funding

A. USADF Contribution

The financial plan for USADF's contribution is set forth in Appendix A-1 to this Agreement. The Parties may make changes to the financial plan without formal amendment, if such changes are made in accordance with Article 7 of the Agreement and do not cause USADF's contribution to exceed the obligated amount specified in Article 4, section 4.1 of the Agreement.

B. Client Contribution

SEU will contribute 100 million Ugandan shillings (Ushs.) towards the working capital fund with additional Ushs. 48 million towards the Solar Loan Fund at the commencement of this project.

IV. Investment Goal

The goal of the investment is to improve the living standards of low-income families by providing them clean, reliable, affordable, safe and efficient energy technology that will eliminate the accidents, and environmental and other hazards caused by the current energy technologies being used. The increased availability of affordable and reliable energy sources will also enhance the ability of community members to expand their income-generating activities.

V. Investment Purpose

The purpose of the investment is to increase the incomes of SEU and its employees as follows.

A. Increased adjusted net income (before interest, taxes and depreciation) of SEU from Ushs. 149.674 million in 2006 to:

- Ushs. 188.923 million in year 1;
- Ushs. 151.967 million in year 2;
- Ushs. 187.829 million in year 3;
- Ushs. 239.385 million in year 4; and
- Ushs. 299.374 million in year 5.

B. Increases in the workers' salary bill from Ushs. 114.5 million in 2006 to:

- Ushs. 110.1 million in year 1;
- Ushs.137.6 million in year 2;
- Ushs. 155.7 million in year 3;
- Ushs. 170.3 million in year 4; and
- Ushs.190.9 million in year 5.

VI. Outputs

The major output is SEU's increased capacity to design, install and maintain solar energy systems for low-income families (grassroots) under the Village Power Project (VPP), as measured by the following:

A. Increased total sales per year from Ushs. 1,254,532 in 2006 to:

- Ushs. 1,254,380 in year 1;
- Ushs. 1,445,520 in year 2;
- Ushs. 1,674,842 in year 3;
- Ushs. 1,952,617 in year 4; and
- Ushs. 2,292,484 in year 5.

B. Increased number of clients receiving solar power loans per year from 178 in 2006 to:

- 624 in year 1;
- 795 in year 2;
- 1,015 in year 3;
- 1,298 in year 4; and
- 1,663 in year 5.

C. Increased value of loans provided from Ushs. 48 million in 2006 to:

- Ushs.185.1 million in year 1,;
- Ushs. 246.5 million in year 2;
- Ushs. 329.3 million in year 3;

- Ushs. 331.8 million in year 4; and
- Ushs. 420.7 million in year 5.

D. Increased number of full-time workers, from 11 and 3 male and female, respectively, in FY 2006 to:
  - 15 and 5 male and female, respectively, in year 1;
  - 17 and 6 male and female, respectively, in year 2;
  - 18 and 7 male and female, respectively, in year 3;
  - 19 and 7 male and female, respectively, in year 4; and
  - 20 and 8 male and female respectively in year 5.

E. The number of branch offices stays at the current 3 in year 1, but subsequently increases to:
  - 6 in year 2;
  - 8 in year 3;
  - 9 in year 4; and
  - 11 in year 5.

VII. Activities

A. Production activities
  - Import additional solar energy systems and parts for sale.
  - Develop specifications for metallic crates and wooden battery boxes to house the solar energy systems.
  - Identify, select and contract experienced artisans to assemble and install the additional energy systems.
  - Move the assembly workshop to a more spacious site in Entebbe.
  - Assemble, sell and install the additional solar energy systems.
  - Enlarge the Solar Loan Fund to enable additional customers to purchase the additional solar energy systems.

B. Management activities
  - Identify, source for, install and operationalize software for tracking loans from the Solar Loan Fund.
  - Streamline SEU's management systems, including accounting and human resource management.
  - Network all computers.
  - Review and revise as appropriate the solar loan agreement including all related documentation.
  - Hire a solar loan manager, and a sales and marketing manager.

C. Capability training

- Provide training to SEU in financial reporting and monitoring and evaluation systems.
- Provide technical training to SEU staff (engineers and technicians) on solar energy system assembly, installation and maintenance.
- Train village technicians on installation and maintenance of solar systems.
- Train SEU in sales and marketing of solar energy systems.

VIII. Roles and Responsibilities of the Parties

USADF's Partner in Uganda will provide the necessary standard USADF training in bookkeeping, monitoring and evaluation. SEU is responsible for ensuring the proper management and implementation of the Investment. The USADF Partner in Uganda will provide SEU with technical and management assistance during the implementation. SEU's solar loan fund manager will work with UDET's evaluation officer to assure that loan applications capture sufficient socio-economic data to enable a pre- and post-solar installation survey and analysis of impact.

IX. Monitoring and Evaluation

USADF's Partner in Uganda will closely monitor the activities of SEU to ensure proper reporting, adherence to the Project implementation plan by the client and movement towards the achievement of Project objectives. The Partner will continuously assess the project risk and take remedial actions as needed. Monitoring by the Partner will be an important aspect of the ongoing coaching and advisory service. The Partner will review SEU's quarterly reports and will submit comments and observations to the management of SEU as a part of the on-going performance assessment.

Within sixty days of the effective date of this Agreement, the Client, working with the USADF Partner, will form a monitoring and assessment committee composed of a representative cross-section of the Client's organization. The committee will work with the Partner to develop the Project monitoring plan. In addition, during implementation, the committee will have responsibility for ensuring that the Project follows the implementation plan, and that problems identified through monitoring and evaluation are properly addressed in a timely manner.

X. Other Implementation Issues

The Board of Directors of Solar Energy Uganda has plans for expanding ownership benefits to some of its workers subject to a minimum of 3 years' working experience with the company and dedication to work (as per the annual performance appraisal).

Within 90 days after the effective date of this Agreement, the Client shall adopt a plan to offer company stock from its unallocated shares to eligible employees. At the time of this Agreement, there are 1,800 unallocated share, equivalent to 18 percent of total shares. Eligibility requirements for employees are as follows: (a) the employee must have worked in the company for a minimum of 3 years; and (b) the employee must have attained a satisfactory performance rating for the previous 3 years.

The schedule for the distribution of unallocated shares is as follows:

- 2007 – 10 percent or 180 shares are to be floated to 7 (seven) of its current long-standing staff.
- 2008 – 5 percent or 90 shares are to be floated to 3 (three) of its staff (currently 2 years old) who will have been with the company for 3 years.
- 2009 – 5 percent or 90 shares are to be floated to 4 of its staff (currently 1 year old) who will have been with the company for 3 years.

In subsequent years, the company will continue to allocate part of any remaining unallocated shares to any employees who demonstrate dedication to the company and have been employed by the company for at least 3 years.