

CONFORMED COPY

CREDIT NUMBER 2587 UG

Project Agreement

(Transport Rehabilitation Project)

between

INTERNATIONAL DEVELOPMENT ASSOCIATION

and

UGANDA RAILWAYS CORPORATION

Dated May 3, 1994

CREDIT NUMBER 2587 UG

PROJECT AGREEMENT

AGREEMENT, dated May 3, 1994, between INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association) and UGANDA RAILWAYS CORPORATION (URC).

WHEREAS (A) by the Development Credit Agreement of even date herewith between The Republic of Uganda (the Borrower) and the Association, the Association has agreed to make available to the Borrower an amount in various currencies equivalent to fifty-four million five hundred thousand Special Drawing Rights (SDR 54,500,000), on the terms and conditions set forth in the Development Credit Agreement, but only on condition that URC agree to undertake such obligations toward the Association as are set forth in this Agreement;

(B) by a subsidiary loan agreement to be entered into between the Borrower and URC, a portion of the proceeds of the credit provided for under the Development Credit Agreement will be relented to URC on the terms and conditions set forth in said Subsidiary Loan Agreement; and

WHEREAS URC, in consideration of the Association's entering into the Development Credit Agreement with the Borrower, has agreed to undertake the obligations set forth in this Agreement;

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

Definitions

Section 1.01. Unless the context otherwise requires, the several terms defined in the Development Credit Agreement and in the General Conditions (as so defined) have the respective meanings therein set forth.

ARTICLE II

Execution of the Project

Section 2.01. URC declares its commitment to the objectives of the Project as set forth in Schedule 2 to the Development Credit Agreement, and, to this end, shall carry out Part C of the Project with due diligence and efficiency and in conformity with appropriate administrative, financial, environmental, engineering, and commercial practices, and shall provide, or cause to be provided, promptly as needed, the funds, facilities, services and other resources required for Part C of the Project.

Section 2.02. Except as the Association shall otherwise agree, procurement of the goods and consultants' services required for Part C of the Project and to be financed out of the proceeds of the Credit shall be governed by the provisions of Schedule 1 to this Agreement.

Section 2.03. URC shall carry out the obligations set forth in Sections 9.03, 9.04, 9.05, 9.06, 9.07 and 9.08 of the General Conditions (relating to insurance, use of goods and services, plans and schedules, records and reports, maintenance and land acquisition, respectively) in respect of the Project Agreement and Part C of the Project.

Section 2.04. URC shall duly perform all its obligations under the Subsidiary Loan Agreement. Except as the Association shall otherwise agree, URC shall not take or concur in any action which would have the effect of amending, abrogating, assigning or waiving the Subsidiary Loan Agreement or any provision thereof.

Section 2.05. (a) URC shall, at the request of the Association, exchange views with the Association with regard to the progress of Part C of the Project, the performance of its obligations under this Agreement and under the Subsidiary Loan Agreement, and other matters relating to the purposes of the Credit.

(b) URC shall promptly inform the Association of any condition which interferes or threatens to interfere with the progress of Part C of the Project, the accomplishment of the purposes of the Credit, or the performance by URC of its obligations under this Agreement and under the Subsidiary Loan Agreement.

ARTICLE III

Management and Operations of URC

Section 3.01. URC shall carry on its operations and conduct its affairs in accordance with sound administrative, financial, environmental and commercial practices under the supervision of qualified and experienced management assisted by competent staff in adequate numbers.

Section 3.02. URC shall at all times operate and maintain its plant, machinery, equipment and other property, and from time to time, promptly as needed, make all necessary repairs and renewals thereof, all in accordance with sound engineering, financial and commercial practices.

Section 3.03. URC shall take out and maintain with responsible insurers, or make other provision satisfactory to the Association for, insurance against such risks and in such amounts as shall be consistent with appropriate practice.

#### ARTICLE IV

##### Financial Covenants

Section 4.01. (a) URC shall maintain records and accounts adequate to reflect in accordance with sound accounting practices its operations and financial condition.

(b) URC shall:

- (i) have its records, accounts and financial statements (balance sheets, statements of income and expenses and related statements) for each fiscal year audited, in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the Association;
- (ii) furnish to the Association as soon as available, but in any case not later than nine months after the end of each such year: (A) certified copies of its financial statements for such year as so audited; and (B) the report of such audit by said auditors, of such scope and in such detail as the Association shall have reasonably requested; and
- (iii) furnish to the Association such other information concerning said records, accounts and financial statements as well as the audit thereof, as the Association shall from time to time reasonably request.

Section 4.02. (a) Except as the Association shall otherwise agree, URC shall maintain, for each of its fiscal years after its fiscal year ending on December 31, 1995 a ratio of total operating expenses to total operating revenues not higher than 110% in 1996, 103% in 1997, 102% in 1998, and 94% in 1999.

(b) Before October 31 in each of its fiscal years, URC shall, on the basis of forecasts prepared by URC and satisfactory to the Association, review whether it would meet the requirements set forth in paragraph (a) in respect of such year and the next following fiscal year, and shall furnish to the Association the results of such review upon its completion.

(c) If any such review shows that URC would not meet the requirements set forth in paragraph (a) for URC's fiscal years covered by such review, URC shall promptly take all necessary measures (including, without limitation, adjustments of the structure or levels of its rates) in order to meet such requirements.

(d) For the purposes of this Section:

- (i) The term "total operating expenses" means all expenses related to operations, including administration, adequate maintenance, taxes and payments in lieu of taxes, and provision for depreciation on a straight-line basis at a rate of not less than 2.5% per annum of the average current gross value of URC's fixed assets in operation, or other basis acceptable to the Association, but excluding interest and other charges on debt.
- (ii) The term "total operating revenues" means

revenues from all sources related to operations, excluding compensation from the Borrower for Borrower-directed non-remunerative services provided by URC.

- (iii) The average current gross value of URC's fixed assets in operation shall be calculated as one half of the sum of the gross value of URC's fixed assets in operation at the beginning and at the end of the fiscal year, as valued from time to time in accordance with sound and consistently maintained methods of valuation satisfactory to the Association.

Section 4.03. URC shall take all measures necessary to: (a) ensure that by July 1 of each year of Project implementation with effect from July 1, 1995, no more than twenty-five percent of all bills issued after July 1, of the immediately preceding year are overdue by more than three months, and (b) promptly submit claims for compensation by the Borrower for Borrower-directed non-remunerative services provided by URC in accordance with the Performance Agreement.

Section 4.04. In order to implement its institutional strengthening program, URC shall employ a transition management adviser, a financial management specialist and a marketing and traffic operations specialist, whose qualifications shall be satisfactory to the Association.

#### ARTICLE V

##### Effective Date; Termination; Cancellation and Suspension

Section 5.01. This Agreement shall come into force and effect on the date upon which the Development Credit Agreement becomes effective.

Section 5.02. (a) This Agreement and all obligations of the Association and of URC thereunder shall terminate on the earlier of the following two dates:

- (i) the date on which the Development Credit Agreement shall terminate in accordance with its terms; or
- (ii) the date fifteen years after the date of this Agreement.

(b) If the Development Credit Agreement terminates in accordance with its terms before the date specified in paragraph (a) (ii) of this Section, the Association shall promptly notify URC of this event.

Section 5.03. All the provisions of this Agreement shall continue in full force and effect notwithstanding any cancellation or suspension under the General Conditions.

#### ARTICLE VI

##### Miscellaneous Provisions

Section 6.01. Any notice or request required or permitted to be given or made under this Agreement and any agreement between the parties contemplated by this Agreement shall be in writing. Such notice or request shall be deemed to have been duly given or made when it shall be delivered by hand or by mail, telegram, cable, telex or radiogram to the party to which it is required or permitted to be given or made at such party's address hereinafter specified or at such other address as such party shall have designated by notice to the party giving such notice or making such request. The addresses so specified are:

For the Association:

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

Cable address:

INDEVAS  
Washington, D.C.

Telex:

248423 (RCA)  
82987 (FTCC)  
64145 (WUI) or  
197688 (TRT)

For URC:

Uganda Railways Corporation  
P.O. Box 7150  
Kampala, Uganda

Telex:

61111 URAIL

Section 6.02. Any action required or permitted to be taken, and any document required or permitted to be executed, under this Agreement on behalf of URC may be taken or executed by the Managing Director or such other person or persons as the Managing Director shall designate in writing, and URC shall furnish to the Association sufficient evidence of the authority and the authenticated specimen signature of each such person.

Section 6.03. This Agreement may be executed in several counterparts, each of which shall be an original, and all collectively but one instrument.

IN WITNESS WHEREOF, the parties hereto, acting through their duly authorized representatives, have caused this Agreement to be signed in their respective names in the District of Columbia, United States of America, as of the day and year first above written.

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Francis X. Colaco  
Acting Regional Vice President  
Africa

UGANDA RAILWAYS CORPORATION

By /s/ Stephen K. Katenta-Apuli  
Authorized Representative

SCHEDULE

Procurement and Consultants' Services

Section I: Procurement of Goods

Part A: Procurement Procedures

1. Oil spill containment equipment, computers and software estimated to cost up to an aggregate amount of \$194,000, may be procured under contracts awarded on the basis of comparison of price quotations obtained from at least three suppliers from at least two different countries eligible under the Guidelines, in accordance with procedures acceptable to the Association.

2. Contracts for proprietary spare parts may be awarded after direct negotiations with suppliers, in accordance with procedures acceptable to the Association.

Part B: Review by the Association of Procurement Decisions

1. Review of invitations to bid and of proposed awards and final contracts:

(a) With respect to each contract for equipment and computers estimated to cost the equivalent of \$50,000 or more, the procedures set forth in paragraphs 2 and 4 of Appendix 1 to the Guidelines shall apply.

(b) With respect to each contract not governed by the preceding paragraph, the procedures set forth in paragraphs 3 and 4 of Appendix 1 to the Guidelines shall apply.

(c) The provisions of the preceding subparagraph (b) shall not apply to contracts on account of which withdrawals from the Credit Account are to be made on the basis of statements of expenditure.

2. The figure of 15% is hereby specified for purposes of paragraph 4 of Appendix 1 to the Guidelines.

Section II. Employment of Consultants

1. In order to assist URC in the implementation of its institutional strengthening program, URC shall employ consultants whose qualifications, experience and terms and conditions of employment shall be satisfactory to the Association. Such consultants shall be selected in accordance with principles and procedures satisfactory to the Bank on the basis of the "Guidelines for the Use of Consultants by World Bank Borrowers and by the World Bank as Executing Agency" published by the Bank in August 1981 (the Consultant Guidelines). For complex, time-based assignments, URC shall employ such consultants under contracts using the standard form of contract for consultants' services issued by the Bank, with such modifications as shall have been agreed by the Association. Where no relevant standard contract documents have been issued by the Bank, URC shall use other standard forms agreed with the Association.

2. Notwithstanding the provisions of paragraph 1 of this Section, the provisions of the Consultant Guidelines requiring prior Association review or approval of budgets, short lists, selection procedures, letters of invitation, proposals, evaluation reports and contracts shall not apply to contracts estimated to cost less than \$20,000 equivalent each. However, this exception to prior Association review shall not apply to the terms of reference for such contracts or to the employment of individuals, to single source selection of firms, to assignments of a critical nature as reasonably determined by the Association or to amendments of contracts raising the contract value to \$20,000 equivalent or above.

