

CONFORMED COPY

CREDIT NUMBER 3203-UG

Project Agreement

(Nakivubo Channel Rehabilitation Project)

between

INTERNATIONAL DEVELOPMENT ASSOCIATION

and

KAMPALA CITY COUNCIL

Dated June 17, 1999

CREDIT NUMBER 3203 -UG

PROJECT AGREEMENT

AGREEMENT, dated June 17, 1999, between INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association) and KAMPALA CITY COUNCIL (KCC).

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 sixteen million five hundred thousand Special Drawing Rights (SDR 16,500,000), on the terms and conditions set forth in the Development Credit Agreement, but only on conditions that KCC agrees to undertake such obligations toward the Association as are set forth in this Agreement;

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

WHEREAS KCC, 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, the Preamble to this 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. (a) KCC 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 the Project with due diligence and efficiency and in conformity with appropriate administrative, financial and engineering practices, and shall provide, or cause to be provided, promptly as needed, the funds, facilities, services and other resources required for the Project.

(b) Without limitation upon the provisions of paragraph (a) of this Section and except as the Association and KCC shall otherwise agree, KCC shall carry out the Project in accordance with the Implementation Program set forth in Schedule 2 to this Agreement.

Section 2.02. Except as the Association shall otherwise agree, procurement of the goods, works and consultants' services required for 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. (a) KCC 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.

(b) For the purposes of Section 9.07 of the General Conditions and without limitation thereto, KCC shall:

(i) prepare, on the basis of guidelines acceptable to the Association and furnish to the Association not later than six (6) months after the Closing Date or such later date as may be agreed for this purpose between the Association and KCC, a plan for the future operation of the Project; and

(ii) afford the Association a reasonable opportunity to exchange views with KCC on the said plan.

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

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

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

## ARTICLE III

### Management and Operations of KCC

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

Section 3.02. KCC shall at all times operate and maintain its assets and investments, and from time to time, promptly as needed, make all necessary repairs and renewals thereof, all in accordance with sound engineering, and financial practices.

Section 3.03. KCC 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.

Section 3.04. KCC shall: (i) establish and thereafter maintain, until completion of the Project, a separate Project Account with a commercial bank acceptable to the Association, into which KCC shall deposit its contributions to the Project, and (ii) during each quarter, commencing from the quarter starting July 1, 1999, deposit into the Project Account the amount required to cover its contribution during each such quarter.

Section 3.05. KCC shall maintain with staffing and functions satisfactory to the Association, its Core Team responsible for the implementation of the Project.

#### ARTICLE IV

##### Financial Covenants

Section 4.01. (a) KCC shall maintain a financial management system, including records and accounts, and prepare financial statements, all in accordance with accounting standards acceptable to the Association, consistently adequate to reflect in accordance with sound accounting practices its operations and financial condition and to register separately the operations, resources and expenditures related to the Project.

(b) KCC shall:

(i) have its records, accounts and financial statements (balance sheets, statements of income and expenses and related statements) for each fiscal year, including those for the Project Account, audited in accordance with auditing standards acceptable to the Association 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 six months after the end of each such year, (A) certified copies of its financial statements referred to in paragraph (a) of this Section for such year as so audited, and (B) an opinion on such statements and 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) Without limitation upon the provisions of Section 4.01 of this Agreement, KCC shall carry out a time-bound action plan acceptable to the Association for the strengthening of its financial system for the Project in order to enable KCC, not later than September 30, 1999, or such later date as the Association shall agree, to prepare quarterly Project Management Reports, acceptable to the Association. Each such report shall:

(i) set forth actual sources and application of funds for the Project, both cumulatively and for the period covered by said report, and projected sources and application of funds for the Project for the six-month period following the period covered by said report, and show separately expenditures proposed to be financed out of the proceeds of the Credit during the six-month period following the period covered by said report;

(ii) describe physical progress in Project implementation, both

cumulatively and for the period covered by said report, and explain  
variances between the actual and previously forecast  
implementation targets; and

(iii) set forth the status of procurement under the Project and  
expenditures under contracts financed out of the proceeds of the Credit,  
as at the end of the period covered by said report.

(b) Upon completion of the action plan referred to in paragraph (a) of this  
Section, KCC shall prepare in accordance with guidelines acceptable to the  
Association, and furnish to the Association, not later than 45 days after the end of  
each calendar quarter, a Project Management Report for such period.

Section 4.03. (a) KCC shall furnish, by December 31, 1999, to the Association a  
duly authorized property valuation list from the Borrower's Chief Government Valuer  
for all its housing estates and other houses owned by KCC.

(b) KCC shall take all measures necessary to complete the sale of: (i) all  
its staff houses by June 30, 2000; and (ii) all its housing estates and other houses  
by June 30, 2001.

(c) KCC shall, starting from July 1, 1999, furnish to the Association  
quarterly returns on the proceeds from the sale of its housing stock deposited by KCC  
into the Project Account.

Section 4.04. KCC shall: (i) no later than July 1, 1999 establish in a  
commercial bank satisfactory to the Association an Operations and Maintenance Escrow  
Account ; and (ii) deposit into the said Account US\$ 15 million on a quarterly basis  
starting from the quarter ending September 30, 1999 through June 30, 2002.

#### 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  
KCC 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 KCC 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 (MCI) or  
64145 (MCI)

For KCC:

Kampala City Council  
P.O. Box 7232  
Kampala, Uganda

Fax:

25641 231 916

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 KCC may be taken or executed by the Town Clerk or such other person or persons as the Town Clerk shall designate in writing, and KCC 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/ Callisto Madavo

Regional Vice President  
Africa

KAMPALA CITY COUNCIL

By /s/ Edith Ssempala

Authorized Representative

#### SCHEDULE 1

#### Procurement and Consultants' Services

Section I. Procurement of Goods and Works

Part A: General

1. Goods and works shall be procured in accordance with the provisions of Section I of the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Bank in January 1995 and revised in January and August 1996, September 1997 and

January 1999 subject to: (a) the modifications thereto set forth in paragraph 2 of this Part A (the Guidelines); and (b) the following provisions of Section I of this Schedule.

2. In paragraphs 1.6 and 1.8 of the Guidelines, the references to "Bank member countries" and "member country" shall be deemed to be references, respectively, to "Participating Countries" and "Participating Country".

Part B: International Competitive Bidding

1. Except as otherwise provided in Part C of this Section, goods and works shall be procured under contracts awarded in accordance with the provisions of Section II of the Guidelines and paragraph 5 of Appendix 1 thereto.

2. The following provisions shall apply to goods and works to be procured under contracts awarded in accordance with the provisions of paragraph 1 of this Part B. Prequalification Bidders for civil works under Part A of the Project shall be prequalified in accordance with the provisions of paragraphs 2.9 and 2.10 of the Guidelines.

Part C: Other Procurement Procedures

1. National Competitive Bidding

(a) Civil works estimated to cost less than \$300,000 equivalent per contract, up to an aggregate amount not to exceed \$1,000,000 equivalent; and

(b) goods estimated to cost less than \$300,000 equivalent per contract, up to an aggregate amount not to exceed \$500,000 equivalent, may be procured under contracts awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines.

2. National Shopping

Goods estimated to cost less than \$50,000 equivalent per contract, up to an aggregate amount not to exceed \$300,000 equivalent, may be procured under contracts awarded on the basis of national shopping procedures in accordance with the provisions of paragraphs 3.5 and 3.6 of the Guidelines.

3. Procurement of Small Works

Works estimated to cost less than \$50,000 equivalent per contract, up to an aggregate amount not to exceed \$1,000,000 equivalent, may be procured under contracts awarded on the basis of quotations obtained from three (3) qualified domestic contractors in response to a written invitation. The invitation shall include a detailed description of the works, including basic specifications, the required completion date, a basic form of agreement acceptable to the Association, and relevant drawings, where applicable. The award shall be made to the contractor who offers the lowest price quotation for the required work, and who has the experience and resources to complete the contract successfully.

Part D: Review by the Bank of Procurement Decisions

1. Procurement Planning

Prior to the issuance of any invitations to prequalify for bidding or to bid for contracts, the proposed procurement plan for the Project shall be furnished to the Association for its review and approval, in accordance with the provisions of paragraph 1 of Appendix 1 to the Guidelines. Procurement of all goods and works shall be undertaken in accordance with such procurement plan as shall have been approved by the Association, and with the provisions of said paragraph 1.

2. Prior Review

With respect to: (a) the award of the first three contracts for works or goods to be made under the Project by KCC, and (b) each contract for works and goods estimated to cost the equivalent of \$300,000 or more, the procedures set forth in

paragraphs 2 and 3 of Appendix 1 to the Guidelines shall apply.

### 3. Post Review

With respect to each contract not governed by paragraph 2 of this Part, the procedures set forth in paragraph 4 of Appendix 1 to the Guidelines shall apply.

## Section II. Employment of Consultants

### Part A: General

1. Consultants' services shall be procured in accordance with (a) the provisions of the Introduction and Section IV of the "Guidelines: Selection and Employment of Consultants by World Bank Borrowers" published by the Bank in January 1997 and revised in September 1997 and January 1999 subject to the modifications thereto set forth in paragraph 2 of this Part A (the Consultant Guidelines) and (b) the provisions of the following Parts of this Section II.

2. In paragraph 1.10 of the Consultant Guidelines, the reference to "Bank member countries" and "member country" shall be deemed to be references, respectively, to "Participating Countries" and "Participating Country".

### Part B: Quality- and Cost-based Selection

1. Except as otherwise provided in Part C of this Section, consultants' services shall be procured under contracts awarded in accordance with the provisions of Section II of the Consultant Guidelines, paragraph 3 of Appendix 1 thereto, Appendix 2 thereto, and the provisions of paragraphs 3.13 through 3.18 thereof applicable to quality- and cost-based selection of consultants.

2. The following provisions shall apply to consultants' services to be procured under contracts awarded in accordance with the provisions of the preceding paragraph. The short list of consultants for services estimated to cost less than \$100,000 equivalent per contract, may comprise entirely of national consultants in accordance with the provisions of paragraph 2.7 of the Consultant Guidelines.

### Part C: Other Procedures for the Selection of Consultants

#### 1. Single Source Selection

Services which are estimated to cost less than \$100,000 equivalent per contract, may, with the Association's prior agreement, be procured in accordance with the provisions of paragraphs 3.8 through 3.11 of the Consultant Guidelines.

#### 2. Service Delivery Contractors

Services to be provided under Part D of the Project shall be procured in accordance with procedures acceptable to the Association.

#### 3. Individual Consultants

Services for training under Part D of the Project shall be procured under contracts awarded to individual consultants in accordance with the provisions of paragraphs 5.1 through 5.3 of the Consultant Guidelines.

### Part D: Review by the Bank of the Selection of Consultants

#### 1. Selection Planning

Prior to the issuance to consultants of any requests for proposals, the proposed plan for the selection of consultants under the Project shall be furnished to the Association for its review and approval, in accordance with the provisions of paragraph 1 of Appendix 1 to the Consultant Guidelines. Selection of all consultants' services shall be undertaken in accordance with such selection plan as shall have been approved by the Association, and with the provisions of said paragraph 1.

#### 2. Prior Review

(a) With respect to: (i) each contract for the employment of consulting firms estimated to cost the equivalent of \$100,000 or more; and (ii) the first three contracts to be awarded by KCC under the Project for the employment of consulting firms estimated to cost less than the equivalent of \$100,000 each, the procedures set forth in paragraphs 1, 2 (other than the third subparagraph of paragraph 2(a)) and 5 of Appendix 1 to the Consultant Guidelines shall apply.

(b) With respect to each contract for the employment of individual consultants estimated to cost the equivalent of \$50,000 or more, the qualifications, experience, terms of reference and terms of employment of the consultants shall be furnished to the Association for its prior review and approval. The contract shall be awarded only after the said approval shall have been given.

### 3. Post Review

With respect to each contract not governed by paragraph 2 of this Part, the procedures set forth in paragraph 4 of Appendix 1 to the Consultant Guidelines shall apply.

## SCHEDULE 2

### Implementation Program

1. Except as the Association shall otherwise agree, KCC shall, in carrying out the Project, apply the guidelines and procedures specified in the Project Implementation Plan and shall not amend such Project Implementation Plan or waive any provision thereof which, in the opinion of the Association, will materially or adversely affect the implementation of the Project.

### 2. KCC shall:

(a) maintain policies and procedures adequate to enable it to monitor and evaluate on an ongoing basis, in accordance with indicators satisfactory to the Association, the carrying out of the Project and the achievement of the objectives thereof;

(b) prepare, under terms of reference satisfactory to the Association, and furnish to the Association, on or about December 31, 2000, a report integrating the results of the monitoring and evaluation activities performed pursuant to paragraph (a) of this Section, on the progress achieved in the carrying out of the Project during the period preceding the date of said report and setting out the measures recommended to ensure the efficient carrying out of the Project and the achievement of the objectives thereof during the period following such date; and

(c) review with the Association, by December 31, 2000, or such later date as the Association shall request, the report referred to in paragraph (b) of this Section, and, thereafter, take all measures required to ensure the efficient completion of the Project and the achievement of the objectives thereof, based on the conclusions and recommendations of the said report and the Association's views on the matter.

