

**CONFORMED COPY**

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**CREDIT NUMBER 4679-UG**

# **Financing Agreement**

**(Transport Sector Development Project)**

**between**

**THE REPUBLIC OF UGANDA**

**and**

**INTERNATIONAL DEVELOPMENT ASSOCIATION**

**Dated February 3, 2010**

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**CREDIT NUMBER 4679-UG**

**FINANCING AGREEMENT**

AGREEMENT dated February 3, 2010 entered into between THE REPUBLIC OF UGANDA (“Recipient”) and INTERNATIONAL DEVELOPMENT ASSOCIATION (“Association”). The Recipient and the Association hereby agree as follows:

**ARTICLE I — GENERAL CONDITIONS; DEFINITIONS**

- 1.01. The General Conditions (as defined in the Appendix to this Agreement) constitute an integral part of this Agreement.
- 1.02. Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the General Conditions or in the Appendix to this Agreement.

**ARTICLE II — FINANCING**

- 2.01. The Association agrees to extend to the Recipient, on the terms and conditions set forth or referred to in this Agreement, a credit in an amount equivalent to one hundred twenty million Special Drawing Rights (SDR 120,000,000) (variously, “Credit” and “Financing”) to assist in financing the project described in Schedule 1 to this Agreement (“Project”).
- 2.02. The Recipient may withdraw the proceeds of the Financing in accordance with Section IV of Schedule 2 to this Agreement.
- 2.03. The Maximum Commitment Charge Rate payable by the Recipient on the Unwithdrawn Financing Balance shall be one-half of one percent (1/2 of 1%) per annum.
- 2.04. The Service Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to three-fourths of one percent (3/4 of 1%) per annum.
- 2.05. The Payment Dates are April 15 and October 15 in each year.
- 2.06. The principal amount of the Credit shall be repaid in accordance with the repayment schedule set forth in Schedule 3 to this Agreement.
- 2.07. The Payment Currency is Dollars.

**ARTICLE III — PROJECT**

- 3.01. The Recipient declares its commitment to the objectives of the Project and the Program. To this end, the Recipient shall carry out Parts B, C and D of the Project through MoWT, and shall cause UNRA to carry out Parts A and E thereof, all in accordance with the provisions of Article IV of the General Conditions.
- 3.02. Without limitation upon the provisions of Section 3.01 of this Agreement, and except as the Recipient and the Association shall otherwise agree, the Recipient shall ensure that the Project is carried out in accordance with the provisions of Schedule 2 to this Agreement.

**ARTICLE IV — REMEDIES OF THE ASSOCIATION**

- 4.01. The Additional Event of Suspension consists of the following:
  - (a) A situation has arisen which shall make it improbable that the Program, or a significant part of it, will be carried out.
  - (b) UNRA's Legislation has been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of UNRA to carry out Part A or E of the Project or to perform any of its obligations under the Subsidiary Grant Agreement.
  - (c) UNRA fails to perform any of its obligations under the Subsidiary Grant Agreement.
  - (d) The Co-financing Deadline for the effectiveness of the Co-financing Agreement is June 30, 2010.

**ARTICLE V — EFFECTIVENESS; TERMINATION**

- 5.01. The Additional Conditions of Effectiveness consist of the following:
  - (a) The Subsidiary Grant Agreement has been executed between the Recipient and UNRA.
  - (b) The Recipient has adopted the PIP in accordance with the provisions of Section I.B of Schedule 2 to this Agreement.
- 5.02. The Additional Legal Matter consists of the following: the Subsidiary Grant Agreement has been duly authorized or ratified by the Recipient and UNRA and is legally binding upon the Recipient and UNRA in accordance with its terms.

- 5.03. The Effectiveness Deadline is the date ninety (90) days after the date of this Agreement.
- 5.04. For purposes of Section 8.05(b) of the General Conditions, the date on which the obligations of the Recipient under this Agreement (other than those providing for payment obligations) shall terminate is twenty years after the date of this Agreement.

**ARTICLE VI — REPRESENTATIVE; ADDRESSES**

- 6.01. The Recipient's Representative is the Minister responsible for finance.
- 6.02. The Recipient's Address is:

Ministry of Finance, Planning and  
Economic Development  
P.O Box 8147  
Kampala  
The Republic of Uganda

Cable:	Telex	Facsimile:
FINSEC	61170	256 41 4230163

- 6.03. The Association's Address is:

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

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

AGREED at Kampala, Uganda, as of the day and year first above written.

THE REPUBLIC OF UGANDA

By

/s/ Syda Bbumba  
Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By

/s/ Kundhavi Kadiresan  
Authorized Representative

## **SCHEDULE 1**

### **Project Description**

The objective of the Project is to improve the connectivity and efficiency of the Recipient's transport sector through: (i) improved condition of national road network; (ii) improved capacity for road safety management; and (iii) improved transport sector and national road management.

The Project consists of the following parts:

#### Part A: Upgrading and Rehabilitation of National Roads

1. Rehabilitation of infrastructure and provision of services for the improvement of approximately 160 kilometers of gravel roads to paved standard in selected sections in Northern Uganda, and the preparation of the design and bidding documents for the future rehabilitation of the Recipient's existing national roads system.
2. Implementation of the mitigation measures specified in the EIA/SIA and provision of support to Affected Persons including provision of resettlement activities and compensation.

#### Part B: Enhanced Road Safety

Improving road safety through the creation and operationalization of a National Road Safety Authority (NRSA) and through the establishment of a crash data base.

#### Part C: Preparation of a Kampala Urban Transport Project

Preparation of a bus rapid transit project in Kampala through feasibility studies and design activities for an introductory phase of such a public transportation system, and assistance to the start up of an urban transport authority.

#### Part D: Ministry of Works and Transport (MoWT)

Strengthening the capacity of the Recipient's MoWT to provide sector oversight, monitoring, policy formulation and planning, through the provision of technical assistance, the carrying out of studies, and the provision of training and equipment.

Part E: Uganda National Roads Authority (UNRA)

Strengthening the capacity of Recipient's UNRA to serve as a project implementing unit, through the refurbishing of offices, provision of technical assistance, the carrying out of studies, and the provision of training and equipment.

**SCHEDULE 2****Project Execution****Section I. Implementation Arrangements****A. Institutional Arrangements**1. MoWT

The Recipient shall ensure that the MoWT is maintained at all times during the implementation of the Project with mandate, staffing and resources satisfactory to the Association for the purpose of ensuring the prompt and efficient overall coordination, implementation, monitoring, reporting, and evaluation of the Project.

2. UNRA

- (a) Without limitation upon the provisions of paragraph A.1 of this Section, the Recipient shall ensure that UNRA is maintained, at all times until the completion of the Project, with composition, mandate, staffing and resources satisfactory to the Association for the purpose of ensuring the prompt and efficient coordination, implementation, monitoring, reporting, and evaluation of Parts A and E of the Project

**Subsidiary Grant Agreement**

- (b) To facilitate the carrying out of Parts A and E of the Project by UNRA, the Recipient shall make part of the proceeds of the Financing allocated from time to time to Parts A and E of the Project, available to UNRA under a subsidiary grant agreement between the Recipient and UNRA, under terms and conditions approved by the Association, which shall include the following obligations of UNRA:
- (i) carry out the Project with due diligence and efficiency, in conformity with appropriate administrative, financial and technical practices and in accordance with the PIP, the EIA/SIA, ESMPs, RAPs, the Anti-Corruption Guidelines and the GAAP and provide, or cause to be provided, promptly as needed, the facilities, services and other resources required for the Project;

- (ii) comply with the procedures for procurement of goods, and consultant services set forth in the Procurement Plan and Section III of this Schedule;
  - (iii) comply with record keeping, auditing and reporting requirements set forth in Section II.B (4) of this Schedule with respect to the Project, including the annual auditing of its records and accounts (operations, resources and expenditure) in respect of the Project;
  - (iv) at the request of the Recipient or the Association, exchange views with the Recipient and the Association with regard to the progress of the Project and the performance of its obligations under the Subsidiary Grant Agreement; and
  - (v) promptly inform the Recipient and the Association of any condition which interferes or threatens to interfere with the progress of the Project, or the performance of its obligations under the Subsidiary Grant Agreement.
- (c) The Recipient shall exercise its rights under the Subsidiary Grant Agreement in such manner as to protect the interests of the Recipient and the Association and to accomplish the purposes of the Financing, including, *inter alia*, the Recipient's and the Association's right to inspect Parts A and E of the Project, UNRA's operation and any relevant records and documents. Except as the Association shall otherwise agree, the Recipient shall not assign, amend, abrogate or waive the Subsidiary Grant Agreement or any of its provisions.

**B. Project Implementation Plan (PIP)**

1. The Recipient shall prepare in accordance with terms of reference acceptable to the Association, a Project implementation plan acceptable to the Association for carrying out the Project activities.
2. The Recipient shall ensure that the Project is carried out in accordance with the arrangements, procedures and guidelines set out in the PIP (provided, however, that in case of any conflict between the arrangements and procedures set out in the PIP and the provisions of this Agreement, the provisions of this Agreement shall prevail).
3. Except as the Association shall otherwise agree in writing, the Recipient shall not amend, abrogate or waive any provision of the PIP.

**C. Anti-Corruption**

The Recipient shall ensure that the Project is carried out in accordance with the provisions of the Anti-Corruption Guidelines and the GAAP.

**D. Environmental and Social Safeguards**

1. The Recipient shall ensure that the Project is carried out in accordance with the EIA/SIA, and all ESMPs and RAPs.
2. The Recipient shall ensure that: (i) all measures for carrying out the recommendations of the EIA/SIA, ESMPs, and RAPs are taken in a timely manner; and (ii) the Project Reports referred to in Section II.A of this Schedule shall include adequate information on monitoring the measures defined in the EIA/SIA, ESMPs, and RAPs.

**Section II. Project Monitoring, Reporting and Evaluation**

**A. Project Reports**

1. (a) The Recipient shall monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 4.08 of the General Conditions and on the basis of the indicators set forth below in sub-paragraph (b) of this paragraph. Each Project Report shall cover the period of six calendar months, and shall be furnished to the Association not later than one month after the end of the period covered by such report.
- (b) Unless otherwise agreed to by the Association, the performance indicators referred to above in sub-paragraph (a) consist of the following:
  - (i) reduction in average transport cost on Gulu-Atiak and Vurra-Oraba roads (measured in terms of US\$ amount per vehicle-km);
  - (ii) reduction in travel time on Gulu-Atiak and Vurra-Oraba roads;
  - (iii) reduction in percentage of national roads in poor condition;
  - (iv) increase in the percentage of the rural population with access to all season roads in the target area; and
  - (v) reduction in the annual rate of growth of road accident fatalities.

**B. Financial Management, Financial Reports and Audits**

1. The Recipient shall maintain or cause to be maintained a financial management system in accordance with the provisions of Section 4.09 of the General Conditions.
2. Without limitation on the provisions of Part A of this Section, the Recipient shall prepare and furnish to the Association, not later than forty-five (45) days after the end of each calendar quarter, interim unaudited financial reports for the Project covering the quarter, in form and substance satisfactory to the Association.
3. The Recipient shall have its Financial Statements audited in accordance with the provisions of Section 4.09(b) of the General Conditions. Each audit of the Financial Statements shall cover the period of one fiscal year of the Recipient. The audited Financial Statements for each such period shall be furnished to the Association not later than six months after the end of such period.
4. Without limitation upon the foregoing, the Recipient shall cause UNRA to:
  - (a) maintain a financial management system and prepare financial statements in accordance with consistently applied accounting standards acceptable to the Association, both in a manner adequate to reflect the operations and financial condition of UNRA; and
  - (b) have its financial statements referred to above audited by independent auditors acceptable to the Association, in accordance with consistently applied auditing standards acceptable to the Association. Each audit of these financial statements shall cover the period of one fiscal year of UNRA. The audited financial statements for each period shall be furnished to the Association not later than six months after the end of the period.

### **Section III. Procurement**

#### **A. General**

1. **Goods and Works.** All goods and works required for the Project and to be financed out of the proceeds of the Financing shall be procured in accordance with the requirements set forth or referred to in Section I of the Procurement Guidelines, and with the provisions of this Section.
2. **Consultants' Services.** All consultants' services required for the Project and to be financed out of the proceeds of the Financing shall be procured in accordance with the requirements set forth or referred to in Sections I and IV of the Consultant Guidelines, and with the provisions of this Section.
3. **Definitions.** The capitalized terms used below in this Section to describe particular procurement methods or methods of review by the Association of

particular contracts, refer to the corresponding method described in the Procurement Guidelines, or Consultant Guidelines, as the case may be.

**B. Particular Methods of Procurement of Goods and Works**

1. **International Competitive Bidding.** Except as otherwise provided in paragraph 2 below, goods and works shall be procured under contracts awarded on the basis of International Competitive Bidding (ICB).
2. **Other Methods of Procurement of Goods and Works.** The following methods of procurement, other than International Competitive Bidding, may be used for goods and works under the circumstances specified in the Procurement Plan for each such method: (a) National Competitive Bidding; (b) Shopping; and (c) Direct Contracting.

National Competitive Bidding may be used subject to the following:

- i. common supplies like stationery and consumables will be aggregated and procured annually through framework contracts to enable implementing agencies to place orders for urgently needed supplies at short notice, at a competitive price;
- ii. in accordance with paragraph 1.14(e) of the Procurement Guidelines, each bidding document and contract shall provide the following: (i) the bidders, suppliers, contractors and subcontractors shall, on request, permit the Association to inspect the accounts and records relating to the bid submission and performance of the contract, and shall have the said accounts and records audited by auditors appointed by the Association; (ii) any deliberate and/or material violation of such provision by any bidder, supplier, contractor or subcontractor may amount to an obstructive practice provided for in paragraphs 1.14(a); and (iii) of the Procurement Guidelines; and
- iii. National Competitive Bidding may be used, except for the following: (i) Negotiations with the best evaluated bidder shall not be allowed for goods and works procured on competitive basis; (ii) The merit point system for bid evaluation shall not be applied for goods and works; (iii) Domestic Preference shall only be applied under ICB; (iv) Micro-procurement as defined in the Recipient's Public Procurement and Disposal of Public Assets (PPDA) Act (2003) will only apply for contracts estimated to cost the equivalent of US\$150 or less.

Shopping method may be used only where all pre-qualified providers are invited to submit bids.

**C. Particular Methods of Procurement of Consultants' Services**

1. **Quality- and Cost-based Selection.** Except as otherwise provided in paragraph 2 below, consultants' services shall be procured under contracts awarded on the basis of Quality and Cost-based Selection.
2. **Other Methods of Procurement of Consultants' Services.** The following methods of procurement, other than Quality and Cost-based Selection, may be used for consultants' services under the circumstances specified in the Procurement Plan for each such method: (a) Quality Based Selection; (b) Least Cost Selection; (c) Fixed Budget Selection; (d) Selection Based on Consultants' Qualifications; (e) Procedures set forth in paragraphs 5.2 and 5.3 of the Consultant Guidelines for the Selection of Individual Consultants; (f) Single Source Selection; and (g) Sole Source Procedures for the Selection of Individual Consultants.

**D. Review by the Association of Procurement Decisions**

The Procurement Plan shall set forth those contracts which shall be subject to the World Bank Prior Review. All other contracts shall be subject to Post Review by the Association.

**Section IV. Withdrawal of the Proceeds of the Financing**

**A. General**

1. The Recipient may withdraw the proceeds of the Financing in accordance with the provisions of Article II of the General Conditions, this Section, and such additional instructions as the Association shall specify by notice to the Recipient (including the "World Bank Disbursement Guidelines for Projects" dated May 2006, as revised from time to time by the Association and as made applicable to this Agreement pursuant to such instructions), to finance Eligible Expenditures as set forth in the table in paragraph 2 below.
2. The following table specifies the categories of Eligible Expenditures that may be financed out of the proceeds of the Financing ("Category"), the allocations of the amounts of the Financing to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category:

<b>Category</b>	<b>Amount of the Financing Allocated (expressed in SDR)</b>	<b>Percentage of Expenditures to be Financed (inclusive of Taxes)</b>
(1) Works, goods, consultants' services, training and Operating Costs under Parts A and E of the Project	110,000,000	100%
(2) Goods, consultants' services, training and Operating Costs under Parts B, C and D of the Project	10,000,000	100%
<b>TOTAL AMOUNT</b>	120,000,000	

**B. Withdrawal Conditions; Withdrawal Period**

1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made for payments made prior to the date of this Agreement.
2. The Closing Date is June 30, 2014.

**SCHEDULE 3****Repayment Schedule**

<b>Date Payment Due</b>	<b>Principal Amount of the Credit repayable (expressed as a percentage)*</b>
On each April 15 and October 15:	
commencing April 15, 2020, to and including October 15, 2029	1%
commencing April 15, 2030, to and including October 15, 2049	2%

\* The percentages represent the percentage of the principal amount of the Credit to be repaid, except as the Association may otherwise specify pursuant to Section 3.03(b) of the General Conditions.

## APPENDIX

### Definitions

1. “Affected Persons” means persons who, on account of the execution of the Project had or would have their: (i) standard of living adversely affected; or (ii) right, title, interest in any house, land (including premises, agricultural and grazing land) or any other fixed or movable asset acquired or possessed, temporarily or permanently; (iii) access to productive assets adversely affected, temporarily or permanently; or (iv) business, occupation, work or place of residence or habitat adversely affected.
2. “Anti-Corruption Guidelines” means the “Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants”, dated October 15, 2006.
3. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.
4. “Co-financier” means the United Kingdom’s Department for International Development (DFID), referred to in paragraph 10 of the Appendix to the General Conditions.
5. “Co-financing” means an amount of approximately eight million Dollars (US\$8,000,000), to be provided by the Co-financier to assist in financing Parts B, D and E of the Project.
6. “Co-financing Agreement” means the agreement to be entered into between the Association and the Co-financier providing for the Co-financing.
7. “Consultant Guidelines” means the “Guidelines: Selection and Employment of Consultants by World Bank Borrowers” published by the Bank in May 2004 and revised in October 2006.
8. “Environmental and Social Management Plan” or “ESMP” means the Recipient’s document prepared in accordance with the EIA/SIA with respect to Project activities that details (i) the measures to be taken to eliminate or offset adverse environmental or social impacts, including HIV/AIDS, or to reduce them to acceptable levels, and (ii) the actions needed to implement these measures.
9. “Environmental Impact Assessment/Social Impact Assessment” or “EIA/SIA” means the document of the Recipient and dated July 21, 2009, setting forth the modalities for environmental screening and procedures for the preparation and implementation of environmental assessments and management plans for activities included in the Annual Work Plans under the Project.

10. “Fiscal Year” or “FY” means the Recipient’s fiscal year commencing July 1 and ending June 30 of each year.
11. “GAAP” means the Recipient’s Governance and Accountability Action Plan, dated October 15, 2009, as such Plan may be amended from time to time with the prior approval of the Association.
12. “General Conditions” means the “International Development Association General Conditions for Credits and Grants”, dated July 1, 2005 (as amended through October 15, 2006).
13. “MoWT” means the Recipient’s Ministry of Works and Transport, or any successor thereto, responsible for the transport sector, which has responsibility for implementing Parts B, C and D of the Project.
14. “Operating Costs” means incremental expenditures incurred for the operation and maintenance of facilities, equipment and vehicles used for Project implementation, consisting of costs of office rental, vehicle rental, fuel, routine repair and maintenance of equipment, vehicles and office premises, communication costs, use of internet costs, stationery and other office supplies, utilities for Project implementation, consumables, costs of translation, printing, photocopying and advertising, allowable travel per diems, allowable travel accommodation expenses, and workshop venues and materials.
15. “Procurement Guidelines” means the “Guidelines: Procurement under IBRD Loans and IDA Credits” published by the Bank in May 2004 and revised in October, 2006.
16. “Procurement Plan” means the Recipient’s procurement plan for the Project, dated October 15, 2009, and referred to in paragraph 1.16 of the Procurement Guidelines and paragraph 1.24 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of the said paragraphs.
17. “Program” means the Recipient’s ongoing National Transport Master Plan dated August 2009 designed to increase institutional capacity at, *inter alia*, MoWT and UNRA to manage the transport sector, to develop and improve national roads, and to rehabilitate and maintain national roads, and district, urban and community access roads (DUCAR).
18. “Project Implementation Plan” or “PIP” means the Recipient’s plan to be adopted pursuant to Section I.B.1 of Schedule 2 to this Agreement, containing or referring to detailed arrangements and procedures for implementation of the Project, including, *inter alia*: (i) institutional coordination and day-to-day execution of the Project; (ii) disbursement and financial management; (iii) procurement;

(iv) monitoring, evaluation, and reporting; (v) procedures, measure and guidelines for environmental management and implementation of the EIA/SIA, ESMPs and RAPs; and (vi) such other administrative, financial, technical and organizational arrangements and procedures as shall be required for the Project, as such plan may be amended by the Recipient from time to time in accordance with the provisions of such Section I.B.1.

19. “Resettlement Action Plan” or “RAP” means each resettlement action plan prepared by the Recipient and dated July 21, 2009, setting forth and detailing the modalities for resettlement and compensation of Affected Persons.
20. “Subsidiary Grant Agreement” means the agreement to be entered into between the Recipient and UNRA pursuant to in Section I.A.2 (b) of Schedule 2 to this Agreement.
21. “UNRA” means Uganda National Roads Authority or any successor thereto, the Recipient’s legal Authority responsible for Recipient’s national roads network, established as an Authority and body corporate pursuant to UNRA’s Legislation and operating under the supervision of MoWT, or any successor thereto.
22. “UNRA’s Legislation” means the Uganda National Roads Authority Act, 2006, as the same may be amended from time to time.