

CONFORMED COPY

CREDIT NUMBER 4367-UG

Project Agreement

(Kampala Institutional and Infrastructure Development Project)

between

INTERNATIONAL DEVELOPMENT ASSOCIATION

and

KAMPALA CITY COUNCIL

Dated February 20, 2008

PROJECT AGREEMENT

Agreement dated February 20, 2008, entered into between INTERNATIONAL DEVELOPMENT ASSOCIATION (“Association”) and KAMPLA CITY COUNCIL (“Project Implementing Entity”) (“Project Agreement”) in connection with the Financing Agreement (“Financing Agreement”) of same date between THE REPUBLIC OF UGANDA (“Recipient”) and the Association. The Association and the Project Implementing Entity hereby agree as follows:

ARTICLE I — GENERAL CONDITIONS; DEFINITIONS

- 1.01. The General Conditions (as defined in the Appendix to the Financing 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 Financing Agreement or the General Conditions.

ARTICLE II — PROJECT

- 2.01. The Project Implementing Entity declares its commitment to the objectives of the Project and the Program. To this end, the Project Implementing Entity shall carry out the Project in accordance with the provisions of Article IV of the General Conditions, and shall provide promptly as needed, the funds, facilities, services and other resources required for the Project.
- 2.02. Without limitation upon the provisions of Section 2.01 of this Agreement, and except as the Association and the Project Implementing Entity shall otherwise agree, the Project Implementing Entity shall carry out the Project in accordance with the provisions of the Schedule to this Agreement.

ARTICLE III — TERMINATION

- 3.01. For purposes of Section 8.05 (c) of the General Conditions, the date on which the provisions of this Agreement shall terminate is twenty years after the date of this Agreement.

ARTICLE IV — REPRESENTATIVE; ADDRESSES

4.01. The Project Implementing Entity's Representative is the Town Clerk.

4.02. The Association's Address is:

International Development Association
1818 H Street, NW
Washington, DC 20433
United States of America

Cable:

Telex:

Facsimile:

INDEVAS
Washington, D.C.

248423(MCI)

1-202-477-6391

4.03. The Project Implementing Entity's Address is:

Kampala City Council
P.O. Box 7232
Kampala
Republic of Uganda

Facsimile:

256 41 231916

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

INTERNATIONAL DEVELOPMENT ASSOCIATION

By: */s/ John Murray McIntire*
Authorized Representative

KAMPALA CITY COUNCIL

By: */s/ Ruth Kijjambu*
Authorized Representative

SCHEDULE

Execution of the Project

Section I. Implementation Arrangements

A. Institutional and Implementation Arrangements:

1. The Project Implementing Entity shall at all times during the period of the Project: (a) maintain an SFR Core Team to provide technical support, including preparation of work plans, budgets, progress reports and coordination of the overall implementation of the Project at all times during the implementation of the Project with functions, staffing and resources satisfactory to the Association, for the purpose of ensuring the prompt and efficient oversight of the Project; (b) assign to respective relevant directorates the responsibility for Parts of the Project corresponding to their day-to-day assignments and responsibilities; and (c) assign a Core Team Coordinator with the responsibility for overseeing day-to-day implementation of the Project.
2. **Project Implementation Plan:** The Project Implementing Entity shall carry out the Project in accordance with the Project Implementation Plan, and shall not, except as the Association and the Recipient shall otherwise agree, amend, abrogate or waive any provision of the Project Implementation Plan, if such amendment, abrogation or waiver may, in the opinion of the Recipient, and the Association, materially or adversely affect the implementation of the Project.

B. Anti-Corruption

The Project Implementing Entity shall ensure that the Project is carried out in accordance with the provisions of the Anti-Corruption Guidelines.

C. Environmental and Social Safeguards

1. The Project Implementing Entity shall:
 - (a) carry out the Project in accordance with the Environmental Analysis, the Environmental Management Plan, and the Resettlement Action Plan;
 - (b) not amend or waive, or permit to be waived, the Environmental Analysis, Environmental Management Plan, and the Resettlement Action Plan, or any provision thereof; and
 - (c) prior to carrying out activities which would result in displacement of any Affected Persons, or adversely affect their standards of living, or their rights,

usufructs or customary rights to land or other resources under the Project, ensure that:

- (i) all rights to land, usufructs or customary rights and other property are allocated or acquired, equitable compensation thereof is paid and resettlement is carried out in accordance with the principles and institutional procedures established in the Resettlement Action Plan;
 - (ii) Affected Persons shall be equitably compensated, resettled and rehabilitated in accordance with the Resettlement Action Plan;
 - (iii) the implementation arrangements for resettlement, including compensation, relocation and rehabilitation of Affected Persons are documented; and
 - (iv) the implementation of such Resettlement Action Plan is completed in a manner satisfactory to the Association.
2. The Project Implementing Entity shall: (a) open and maintain the Escrow Account in a commercial bank on terms and conditions satisfactory to the Association, including appropriate protection against set-off, seizure or attachment; and (b) ensure that the amounts deposited into the Escrow Account shall be used exclusively to make payments to meet the expenditures made, or to be made in respect of compensation to the affected Persons.
 3. Without limitation upon the provisions of Section 1.C.1 the Project Implementing Entity shall: (a) take all measures for carrying out the recommendations of the Environmental Analysis, the Environmental Management Plan, and the Resettlement Action Plan in a timely and effective manner; and (b) include in the Project Reports referred to in Part A of Section II.A of this Schedule adequate information on monitoring the measures defined in the Environmental Analysis, the Environmental Management Plan, and the Resettlement Action Plan.

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports

1. (a) The Project Implementing Entity 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 in Section II.A.1(b) of Schedule 2 to the Financing Agreement. Each such Project Report shall cover the period of six months, and shall be furnished to the Recipient not later two week after the end of the period covered by such report for incorporation and forwarding by the Recipient to the Association of the overall Project Report.

2. The Project Implementing Entity shall provide to the Recipient not later than March 31, 2009, for incorporation in the report referred to in Section 4.08 (c) of the General Conditions all such information as the Recipient or the Association shall reasonably request for the purposes of such Section.

B. Financial Management, Financial Reports and Audits

1. The Project Implementing Entity shall 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 conditions of the Project Implementing Entity, including the operations, resources and expenditures related to the Project.
2. The Project Implementing Entity shall 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 the Project Implementing Entity. 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

All goods, works and services required for the Project and to be financed out of the proceeds of the Financing shall be procured in accordance with the provisions of Section III of Schedule 2 to the Financing Agreement.

Section V. Other Undertakings

A. Appointment of Financial and Procurement Auditors

1. The Project Implementing Entity shall, not later than six months after the Effective Date, appoint the independent auditors referred to in Section 4.09 (b) of the General Conditions, in accordance with the provisions of Section III of this Schedule.
2. The Project Implementing Entity shall, not later than six months after the Effective Date, put in place arrangements, satisfactory to the Association, including the appointment of independent procurement auditors acceptable to the Association, in accordance with the provisions of Section III of this Schedule, for reviewing the procurement of goods, works and consultants' services financed under the Project, including the reviewing of procurement procedures and processes.

B. Procurement Audits

The Project Implementing Entity shall, not later than six months after the end of each Fiscal Year, or such later date as the Association may agree, furnish to the Association an

audit report on the procurement of goods, works and consultants' services carried out under the Project, prepared by the independent procurement auditors referred to in Part A.2 of this Section.