1. Country and Sector Background

**Uganda’s Economy:** Uganda is a developing country in the eastern part of Africa with a per capita income of about US$330 (2008). The country has a population of about 28.8 million people (June 2007) and covers an area of 241,040 sq. km. Over 80 percent of its population live in rural areas and engage in smallholder subsistence agriculture. Since the late 1980s, the Government of Uganda (GoU) has undertaken various policy reforms to address economic growth and poverty reduction. It liberalized its economy to enhance efficiency of service delivery and encourage private sector-led economic growth.

**Transport Infrastructure:** Uganda’s transport infrastructure comprises road, rail, water and air transport. The road infrastructure carries over 90 percent of passenger and freight traffic and comprises 20,000 km of national (trunk) roads, 27,500 km of district roads, 4,600 km of urban roads and approximately 35,000 km of community access roads. National roads, of which 3,200 km are paved, connect districts with one another and the country with its neighbors. They are a responsibility of the central government and are managed by the Uganda National Roads Authority (UNRA). Urban roads of different surface types (bitumen, gravel and earth surface) located within urban council boundaries are the responsibility of urban local governments. District roads and Community Access Roads connecting rural areas to markets, health centers, educational institutions, administrative centers and other services are the responsibility of the district governments. Uganda’s road transport infrastructure also serves as transit corridors linking the neighboring land-locked countries of Rwanda, Burundi, southern Sudan and
parts of eastern Democratic Republic of Congo (DRC) to the Indian Ocean ports of Mombasa and Dar-es-Salaam.

**Government’s Transport Policy and Strategy:** Government’s 2002 National Transport Policy and Strategy (NTPS) hinges on the promotion of less costly, efficient and reliable transport services as the means of providing effective support to increased agricultural and industrial production, trade, tourism, social and administrative services. The NTPS places emphasis on the provision of a technically sound, economically justified and financially sustainable transport infrastructure through the active participation of the private sector. Ministry of Works and Transport (MoWT), being responsible for policy formulation, is in the process of updating the NTPS and is preparing a draft memorandum for discussion at cabinet level.

2. Objectives

The TSDP, in the amount of US$190 million, was approved by the Board on December 10, 2009 and became effective on July 15, 2010. The TSDP and the proposed AF are intended to support a five and half year time slice (July 2010 to December 2015) of Uganda’s Road Sector Development Program. The project’s development objective is to: “improve the connectivity and efficiency of the 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 original Project Development Objective remains relevant and there are no changes to it under the AF.

3. Rationale for Bank Involvement

This Additional Financing (AF) is intended to implement additional expanded activities to scale up the original project’s impact and development effectiveness for Investment Lending. Government of Uganda (GoU) considered two options for financing this road: (i) including the project in the government budget; and (ii) the possibility of getting financial support from other development partners. As it was not possible to get support from other sources, GoU decided to use part of the balance of the International Development Association (IDA15) funds for this purpose. The instrument of Additional Financing was preferred over the preparation of a new credit as the project objective is the same and the AF approach also reduces transaction costs.

4. Description

The five components of the TSDP described below remain unchanged. The AF will finance Component A (iii): the paving of the 66 km road section from Kamwenge to Fort Portal in western Uganda.

**Project Components**

**Component A:** (IDA financing US$232.1 million): Upgrading and Rehabilitation of the (i) Gulu-Atiak (74 km), (ii) Vurra-Arua-Oraba (85 km) and (iii) the Kamwenge-Fort Portal (66 km) roads, to Bitumen Standard;
**Component B:** Enhanced Road Safety (IDA financing US$3.5 million; DFID US$1.0 million): supporting the establishment of National Road Safety Authority (NRSA) and making the crash data base operational;

**Component C:** (IDA financing US$4.5 million): Supporting the preparation of Kampala Urban Transport Project, and the legislation and establishment of the Metropolitan Area Transport Authority (MATA);

**Component D:** (IDA financing US$7.9 million, DFID US$3.0 million): Support to the MoWT to focus on its core function of policy setting, strategic planning, sector oversight and monitoring and to spin off some of its responsibilities to newly created entities under its umbrella; and

**Component E:** Support to UNRA (IDA financing US$12.0 million, DFID US$4.0 million): TA and capacity building activities to UNRA

5. Financing

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<th>Source</th>
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</tr>
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<tr>
<td>BORROWER/RECIPIENT</td>
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<tr>
<td>International Development Association (IDA)</td>
<td>70</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>70</strong></td>
</tr>
</tbody>
</table>

6. Implementation

**Project Implementation:** The overall responsibility for project implementation will be with the UNRA. The Executive Director (ED) of UNRA will be the “Accounting Officer” for the project, assuming overall responsibility for the project funds. The ED will delegate the function of the day-to-day management of the project to the TSDP Project Coordinator within UNRA. UNRA will however implement the project fully “mainstreamed” which means that it will not set up a specific project implementation unit but will work through its existing directorates. UNRA will directly implement components A, and E, and MoWT component B, C and D. For the implementation of component B, a stakeholder oversight committee will be established, the secretariat of which will be in UNRA and the chairperson will come from Kampala City Council (KCC). For Component C, the National Roads Safety Council (NRSC) will provide the chairmanship, with Uganda Traffic Police and MoWT as members. UNRA will liaise with other main stakeholders in the sector including, but not limited, to the National Environment Management Authority (NEMA), participating Ministries and agencies.

**Procurement Arrangements:** The procurement arrangements for the proposed AF are the same as for the ongoing TSDP. The only major difference is that for the proposed AF activities, the latest procurement guidelines of May 2010 will apply. More specifically, procurement of works required for the project and to be financed out of the proceeds of the credit shall be governed by the "Guidelines for Procurement under IBRD Loans and IDA Credit" published by the Bank in May 2004 revised in October 2006 and May 2010. Procurement of consultants' services shall be governed by the "Guidelines for the Selection and Employment of Consultants by World Bank Borrowers" published by the
Bank in May 2004 revised in October 2006 and May 2010. As in the original project, UNRA will procure and manage the contract financed under AF for Component A.

**Financial Management:** There are no changes being proposed to the financial management (FM) arrangements of the original Credit under TSDP. The entire additional financing will be managed by UNRA, using the existing FM arrangements which have been found to be satisfactory. There are no changes being proposed to the financial management (FM) arrangements of the original Credit under TSDP. The entire additional financing will be managed by UNRA, using the existing FM arrangements, under the original TSDP credit. The conclusion of the assessment is that the financial management arrangements for the project have an overall moderate risk rating after mitigation with adequate budgeting and reporting arrangements. Qualified and experienced accountants are in place and the two entities have good knowledge of Bank procedures as they have, and are currently implementing other IDA projects. UNRA will operate the IDA account together with its Local project account while MOWT will operate a Local project account. Both accounts will be with Bank of Uganda. Realistic cash projections will be prepared by MOWT to receive funds from the UNRA designated dollar account and MOWT will prepare quarterly financial accountability reports to be consolidated by UNRA for eventual submission to the Bank. UNRA together with MOWT will liaise with the Auditor General to have the financial records audited in a single audit exercise as the TSDP project. Each entity will take full responsibility of the full accountability and internal control issues raised by the auditors on its funds. There are no outstanding audit reports with these entities.

7. **Sustainability**

Crucial for the sustainability of the transport sector program is that Ministry of Works and Transport (MoWT) enhances its policy setting, strategic planning, oversight and monitoring role and assists the various executing entities to perform their duties. For the sustainability of the road sector program, maintenance performance should improve. This requires timely and stable availability of maintenance funding, public sector institutional capacity and implementation capacity of the private sector. The Uganda National Roads Authority (UNRA) which is responsible for the management of national roads commenced operations on July 1, 2008. The Road Fund is now fully operational and is contributing to improving maintenance funding. For FY09/10 an amount of UGX 268 billion (US$127 million) was budgeted for the road fund considered broadly adequate for overall road network maintenance. The national Construction Industry Policy was passed by cabinet in January 2011 and a draft Bill for setting up the Uganda Construction Industry Commission has been prepared. The same will be submitted to Parliament in the first quarter of FY12.

8. **Lessons Learned from Past Operations in the Country/Sector**

During the implementation of the TSDP further opportunities have been found to strengthen weaknesses in the organizational structure of UNRA arising from the concentration of work in a few units. Other risks to be addressed include lack of proper
staffing of the Procurement and Disposal of Assets Unit (PDU); lack of a clear delineation of responsibilities and understaffing in technical departments. Under the TSDP, the PDU has been restructured to report directly to the Executive Director to increase management oversight and monitoring of procurement functions. The TSDP has also financed a procurement Consultant to provide hands-on coaching and mentoring of PDU staff. Further, UNRA has engaged a consultant to establish an acceptable Monitoring and Information System (MIS) for procurement tracking. UNRA is in the process of recruiting additional staff to increase the capacity of the Technical departments for project implementation.

9. Safeguard Policies (including public consultation)

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<td>Projects on International Waterways <em>(OP/BP 7.50)</em></td>
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10. List of Factual Technical Documents

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