Hon. Maria Kiwanuka  
Minister of Finance, Planning and Economic Development  
Ministry of Finance, Planning and Economic Development  
P.O Box 8147 Plot 2-12 Apollo Kaggawa Road  
Kampala  
The Republic of Uganda  

Re: Uganda Transport Sector Development Project TF Grant No. TF011094  
Transport Sector Development Project  

Honorable Minister:  

In response to the request for financial assistance made on behalf of Republic of Uganda ("Recipient"), I am pleased to inform you that the International Development Association ("World Bank"), acting as administrator of grant funds provided by the United Kingdom of Great Britain and Northern Ireland acting through the Department for International Development ("DFID") ("Donor") under the Uganda Transport Sector Development Project Trust Fund, proposes to extend to the Recipient, a grant in an amount not to exceed six million one hundred and forty six thousand United States Dollars (US$6,146,000) ("Grant") on the terms and conditions set forth or referred to in this letter agreement ("Agreement"), which includes the attached Annex, to assist in the financing of the project described in the Annex ("Project").  

This Grant is funded out of the abovementioned trust fund for which the World Bank receives periodic contributions from the Donor. In accordance with Section 3.02 of the Standard Conditions (as defined in the Annex to this Agreement), the World Bank’s payment obligations in connection with this Agreement are limited to the amount of funds made available to it by the Donor under the abovementioned trust fund, and the Recipient’s right to withdraw the Grant proceeds is subject to the availability of such funds. Accordingly, in the event that the Donor cancels or fails to pay any contributions under the trust fund to the World Bank for any reason, or that as a result of currency exchange variations the amount of funds available in the trust fund is insufficient for the purposes of the Grant, the Recipient shall bear the risk of such funding shortfall and the World Bank shall not have any liability whatsoever to the Recipient or to any third parties in respect of any expenditures or liabilities incurred by the Recipient or any third parties in connection with this Agreement which exceed the amount of funds made available to the World Bank by the Donor for the purposes of the Grant.  

The Recipient represents, by confirming its agreement below, that it is authorized to enter into this Agreement and to carry out the Project in accordance with the terms and conditions set forth or referred to in this Agreement.
Please confirm the Recipient's agreement to the foregoing by having an authorized official of the Recipient sign and date the enclosed copy of this Agreement, and returning it to the World Bank. Upon receipt by the World Bank of this countersigned copy, this Agreement shall become effective as of the date of the countersignature.

Very truly yours,
INTERNATIONAL DEVELOPMENT ASSOCIATION

By PHILIPPE DONGIER
Country Director for Uganda
Africa Region

AGREED:

REPUBLIC OF UGANDA

By

Authorized Representative

Name MARIA KIWANUKA
Title MINISTER OF FINANCE, PLANNING & ECONOMIC DEVELOPMENT
Date: 30/8/12

Enclosures:

✓(1) Standard Conditions for Grants Made by the World Bank Out of Various Funds, dated July 31, 2010
✓✓(2) Disbursement Letter of the same date as this Agreement, together with World Bank Disbursement Guidelines for Projects, dated May 1, 2006
Article I
Standard Conditions; Definitions

1.01. **Standard Conditions.** The Standard Conditions for Grants Made by the World Bank out of Various Funds dated July 31, 2010 (“Standard Conditions”) constitute an integral part of this Agreement.

1.02. **Definitions.** Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the Standard Conditions or in this Agreement.

Article II
Project Execution

2.01. **Project Objectives and 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 Grant co-finances Parts B, D and E of the Project described in the Financing Agreement for the Project (as amended) and specifically set out below.

Part A: Upgrading and Rehabilitation of National Roads

Rehabilitation of infrastructure and provision of services for the improvement of approximately 230 kilometers of gravel roads to paved standard in selected sections in Northern and South Western Uganda, and the preparation of the design and bidding documents for the future rehabilitation of the Recipient’s existing national roads system.

Part B: Enhanced Road Safety

Improving road safety through the creation and operationalization of a national road safety authority 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 the UNRA to serve as a project implementing unit, through the refurbishing of offices, provision of technical assistance including technical assistance for strengthening the internal audit functions of UNRA, the carrying out of studies, and the provision of training and equipment.

2.02. Project Execution Generally. The Recipient declares its commitment to the objectives of the Project and the Program. To this end, the Recipient shall carry out Parts B and D of the Project through MoWT, and shall cause UNRA to carry out Part E of the Project through MOWT in accordance with the provisions of: (a) Article II of the Standard Conditions; (b) the “Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants”, dated October 15, 2006 and revised in January 2011 (“Anti-Corruption Guidelines”); and (c) this Article 2.02.

2.03. Institutional and Other Arrangements. The provisions of Section I of Schedule 2 to the Financing Agreement (as amended) (and related definitions) are hereby incorporated by reference in this Section and shall apply to this Agreement, mutatis mutandis, and the Recipient undertakes to comply with the provisions thereof to the same extent as if such provisions had been set out in full in this Agreement, subject, however, to the following qualifications:

(a) references to “Association” shall be construed as references to the World Bank, acting as administrator of the Uganda Transport Sector Development Project Single Donor Trust Fund; and

(b) references to “Credit” and “Financing” shall be construed as references to the Grant provided for under this Agreement.

2.04. Donor Visibility and Visit

(a) The Recipient shall take or cause to be taken all such measures as the World Bank may reasonably request to identify publicly the Donor’s support for the Project.

(b) For the purposes of Section 2.09 of the Standard Conditions, the Recipient shall, upon the World Bank’s request, enable the representatives of the Donor to visit any part of the Recipient’s territory for purposes related to the Project.

2.05. Project Monitoring, Reporting and Evaluation

(a) The Recipient shall monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 2.06 of the Standard Conditions and on the basis of indicators acceptable to the World Bank. Each Project Report shall cover the period of one calendar semester, and shall be furnished to the World Bank not later than one month after the end of the period covered by such report.

(b) The Recipient shall prepare the Completion Report in accordance with the provisions of Section 2.06 of the Standard Conditions. The Completion Report shall be furnished to the World Bank not later than six months after the Closing Date.
2.06. **Financial Management**

(a) The Recipient shall ensure that a financial management system is maintained in accordance with the provisions of Section 2.07 of the Standard Conditions.

(b) The Recipient shall ensure that interim unaudited financial reports for the Project are prepared and furnished to the World Bank not later than forty-five (45) days after the end of each calendar quarter, covering the quarter, in form and substance satisfactory to the World Bank.

(c) The Recipient shall have its Financial Statements audited in accordance with the provisions of Section 2.07 (b) of the Standard Conditions. Each such 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 World Bank not later than six months after the end of such period.

2.07. **Procurement**

(a) General. All goods, works and consultants’ services required for the Project and to be financed out of the proceeds of the Grant shall be procured in accordance with the requirements set forth or referred to in:

(i) Section I of the Procurement Guidelines, in the case of goods, works and non-consulting services;

(ii) Sections I and IV of the Consultant Guidelines in the case of consultants’ services; and

(iii) the provisions of this Section, as the same shall be elaborated in the procurement plan prepared and updated from time to time by the Recipient for the Project in accordance with paragraph 1.18 of the Procurement Guidelines and paragraph 1.25 of the Consultant Guidelines ("Procurement Plan").

(b) Definitions. The capitalized terms used in the following paragraphs of this Section to describe particular procurement methods or methods of review by the World Bank of particular contracts, refer to the corresponding method described in Sections II and III of the Procurement Guidelines, or Sections II, III, IV and V of the Consultant Guidelines, as the case may be.

(c) **Particular Methods of Procurement of Goods and Works and Non-consulting Services**

(i) Except as otherwise provided in sub-paragraph (ii) below, goods and works shall be procured under contracts awarded on the basis of International Competitive Bidding.

(ii) The following methods, other than International Competitive Bidding, may be used for procurement of goods and works for those contracts
specified in the Procurement Plan: (A) National Competitive Bidding, subject to the additional provisions in paragraph (iii) below; (B) Shopping; and (C) Direct Contracting.

(iii) National Competitive Bidding may be used subject to the following:

(A) 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;

(B) 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

(C) National Competitive Bidding may be used, except for the following: (i) Negotiations with the best evaluated bidder shall not be allowed for goods, non-consulting services 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.

(d) Particular Methods of Procurement of Consultants’ Services

(i) Except as otherwise provided in item (ii) below, consultants’ services shall be procured under contracts awarded on the basis of Quality and Cost-based Selection.

(ii) The following methods may be used for the procurement of consultants’ services for those assignments which are specified in the Procurement Plan: (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.
(e) **Review by the World Bank of Procurement Decisions.** The Procurement Plan shall set forth those contracts which shall be subject to the World Bank’s Prior Review. All other contracts shall be subject to Post Review by the World Bank.

**Article III**
**Withdrawal of Grant Proceeds**

3.01. **Eligible Expenditures.** The Recipient may withdraw the proceeds of the Grant in accordance with the provisions of: (a) the Standard Conditions; (b) this Section; and (c) such additional instructions as the World Bank may 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 World Bank and as made applicable to this Agreement pursuant to such instructions), to finance Eligible Expenditures as set forth in the following table. The table specifies the categories of Eligible Expenditures that may be financed out of the proceeds of the Grant (“Category”), the allocations of the amounts of the Grant to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category:

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Grant Allocated (expressed in USD)</th>
<th>Percentage of Expenditures to be Financed (inclusive of Taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Works, goods, consultants’ services, training and Operating Costs under Parts A and E of the Project</td>
<td>3,073,000</td>
<td>1%</td>
</tr>
<tr>
<td>(2) Goods, consultants’ services, training and Operating Costs under Parts B, C and D of the Project</td>
<td>3,073,000</td>
<td>16%</td>
</tr>
<tr>
<td><strong>TOTAL AMOUNT</strong></td>
<td><strong>6,146,000</strong></td>
<td></td>
</tr>
</tbody>
</table>

3.02. **Withdrawal Conditions.** Notwithstanding the provisions of Section 3.01 of this Agreement, no withdrawal shall be made for payments made prior to the date of countersignature of this Agreement by the Recipient.

3.03. **Withdrawal Period.** The Closing Date referred to in Section 3.06 (c) of the Standard Conditions is June 30, 2014.
Article IV
Additional Remedies

4.01. Additional Events of Suspension. The Additional Events of Suspension referred to in Section 4.02 (k) of the Standard Conditions consist 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 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.

Article V
Recipient’s Representative; Addresses

5.01. Recipient’s Representative. The Recipient’s Representative referred to in Section 7.02 of the Standard Conditions is its minister responsible for finance.

5.02. Recipient’s Address. The Recipient’s Address referred to in Section 7.01 of the Standard Conditions 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

5.03. World Bank’s Address. The World Bank’s Address referred to in Section 7.01 of the Standard Conditions is:

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

Cable: Telex: Facsimile:
INDEVAS 248423 (MCI) or 1-202-477-6391
Washington, D.C. 64145 (MCI)
APPENDIX

Definitions


2. "Category" means a category set forth in Section 3.01 to this Agreement.


4. "Financing Agreement" means the financing agreement for the Transport Sector Development Project between the Recipient and the Association (Credit number 4679-UG) dated February 3, 2010, as amended from time to time.

5. "Fiscal Year" or "FY" means the Recipient's fiscal year commencing July 1 and ending June 30 of each year.


7. "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.


9. "Procurement Plan" means the Recipient's procurement plan for the Project, dated December 1, 2011, and referred to in paragraph 1.18 of the Procurement Guidelines and paragraph 1.25 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of the said paragraphs.

10. "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).


13. “UNRA” means the Recipient’s authority established and operating pursuant to the the Uganda National Authority Act, No. 15 of 2006 as the same may be amended from time to time.
5th April 2012

Mr. Philippe Dongier  
Country Director for Uganda  
The World Bank  
Plot 1 Lumumba Avenue,  
Rwenzori House  
Kampala, UGANDA

Dear Mr. Dongier

Grant Financing Agreement – TF011094 Transport Sector Development Project

Please find attached one original of the above mentioned project document duly signed by this office for your retention and necessary action.

We are grateful for all the support and cooperation we continue to enjoy between the Government of Uganda and the World Bank Group.

Fred Twesiime  
FOR: PERMANENT SECRETARY / SECRETARY TO THE TREASURY

c.c: Executive Director, UNRA

03 May 2012