

AFRICAN DEVELOPMENT FUND



PROJECT : ROAD SECTOR SUPPORT PROJECT 3

COUNTRY : UGANDA

PROJECT APPRAISAL REPORT

Date: July 2009

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TABLE OF CONTENTS

	<u>Page</u>
Currency Equivalents, Fiscal Year, Weights & Measurements, Acronyms & Abbreviations, Loan Information, Project Summary, Result-Based Logical Frameworks, Project Timeframe (i-vii)	
PART I: STRATEGIC THRUST AND RATIONALE	1
1.1 Project Linkages with Country Strategy and Objectives	1
1.2 Rationale for Bank's Involvement	1
1.3 Donors Coordination	2
PART II: PROJECT DESCRIPTION	3
2.1 Project Components	3
2.2 Technical Solution Retained and Other Alternatives Explored	3
2.3 Project Type	4
2.4 Project Cost and Financing Arrangements	4
2.5 Project Target Population	6
2.6 Participatory Processes of Design and Implementation	6
2.7 Experiences and Lessons Reflected in Project Design	7
2.8 Key Performance Indicators	8
PART III: PROJECT FEASIBILITY	8
3.1 Economic and Financial Performance	8
3.2 Environmental and Social Impacts	8
PART IV: IMPLEMENTATION	11
4.1 Implementation Arrangements	11
4.2 Monitoring	12
4.3 Governance	13
4.4 Sustainability	13
4.5 Risk Management	14
4.6 Knowledge Building	15
PART V: LEGAL INSTRUMENTS AND AUTHORITY	15
5.1 Legal Instrument	15
5.2 Conditions Associated with Bank's Intervention	15
5.3 Compliance with Bank Policies	16
PART VI: RECOMMENDATION	16
<u>Appendices</u>	
I. Country's Comparative Socio-Economic Indicators	17
II. Table of ADB's Portfolio in Uganda	18
III. Similar Projects Financed by the Bank and Other Development Partners in Uganda	19
IV. Project Map	20

Currency Equivalents

As of 01 June 2009

1UA	=	1 SDR
1UA	=	UG3463.31
1USD	=	UG2237.21
1UA	=	USD1.54805

Fiscal Year

01 July-30 June

Weights and Measures

1 metric tonne (t)	=	2,205 lbs.
1 kilogram (kg)	=	2.205 lbs.
1 meter (m)	=	3.281 ft
1 foot (ft)	=	0.305 m
1 kilometre (km)	=	0.621 mile
1 square kilometre (km ²)	=	0.386 square mile
1 hectare (ha) = 0.01 km ²	=	2.471 acres

Acronyms and Abbreviations

ADB	=	African Development Bank	LCS	=	Least Cost Selection
ADF	=	African Development Fund	MDG	=	Millennium Development Goal
ARAP	=	Abbreviated Resettlement Action Plan	MOWT	=	Ministry of Works and Transport
ASP	=	Approved Service Provider	NDF	=	Nordic Development Fund
BADEA	=	Arab Bank for Economic Development of Africa	NDP	=	National Development Plan
BoQ	=	Bill of Quantities	NEMA	=	National Environment Management Authority
CBO	=	Community Based Organization	NGO	=	Non Government Organization
CCIs	=	Cross Cutting Issues	NPV	=	Net Present Value
CO ₂	=	Carbon Dioxide	PA	=	Project Area
CPIA	=	Country Policy and Institutional Assessment	PAP	=	Project Affected Persons
CSP	=	Country Strategy Paper	PEAP	=	Poverty Eradication Action Plan
DANIDA	=	Danish International Development Agency	QCBS	=	Quality and Cost Based Selection
DBST	=	Double Bitumen Surface Treatment	RAFU	=	Road Agency Formation Unit
DFID	=	Department for International Development	RAP	=	Resettlement Action Plan
DP	=	Development Partner	RBCSP	=	Results-Based Country Strategy Paper
DRC	=	Democratic Republic of Congo	RFP	=	Request for Proposals
EIRR	=	Economic Internal Rate of Return	RSDP	=	Road Sector Development Program
ESIA	=	Environmental and Social Impact Assessment	RSSP	=	Road Sector Support Program
ESMP	=	Environmental and Social Management Plan	SBS	=	Sector Budget Support
EU	=	European Union	STI	=	Sexually Transmitted Infections
FE	=	Foreign Exchange	TOR	=	Terms of Reference
GBS	=	General Budget Support	TSBFP	=	Transport Sector Budget Framework Paper
GOU	=	Government of Uganda	TSWG	=	Transport Sector Working Group
HIV/AIDS	=	Immuno Virus/Acquired Immune Deficiency Syndrome	UA	=	Unit of Account
HLC	=	HIV/AIDS Liaison Committees	UAC	=	Uganda AIDS Commission
IDA	=	International Devt Association / World Bank	UGFO	=	Uganda Field Office
IDB	=	Islamic Development Bank	UJAS	=	Uganda Joint Assistance Strategy
JICA	=	Japanese International Cooperation Agency	UNRA	=	Uganda National Road Authority
LC	=	Local Currency	VOC	=	Vehicle Operating Costs

Loan Information

Client's information

BORROWER:	GOVERNMENT OF UGANDA
EXECUTING AGENCY:	UGANDA NATIONAL ROADS AUTHORITY

Financing plan

Source	Amount (UA)	Instrument
ADF	80.00 million	Loan
GOU	30.27 million	Counterpart Financing
TOTAL COST	110.27 million	

ADF's key financing information

Loan /Grant currency	Unit of Account (UA)
Interest type*	Not Applicable
Interest rate spread*	Not Applicable
Service Charge*	0.75% per annum on amount disbursed and outstanding
Commitment fee*	0.50% per annum on the un-disbursed loan amount
Tenor	50 years
Grace Period	10 years
EIRR (base case)	20.0%
NPV (base case)	US\$67.37million

**if applicable*

Timeframe - Main Milestones (expected)

Concept Note approval	April 2009
Project approval	September 2009
Effectiveness	May 2010
Completion	August 2013
Last Date of Disbursement (Loan)	December 2015
Last repayment	February 2060

Project Summary

Project Overview: The Road Sector Support Project 3 (RSSP3): Nyakahita–Ibanda–Kamwenge Road Upgrading starts at Nyakahita on the Masaka–Mbarara highway traversing the districts of Kiruhura, Ibanda and Kamwenge. The terrain is a plateau with laterised flat hills and flat undulating plains. Expected outputs of the project are a 143 km new bitumen road with 6.0 m carriageway and 1.50 m shoulders on either side between Nyakahita, Ibanda and Kamwenge; a weigh-bridge installed at appropriate location to control vehicle over-load; fully implemented Environmental and Social Management Plan (ESMP); Resettlement Action Plan (RAP); Immuno Virus / Acquired Immune Deficiency Syndrome (HIV/AIDS) and road safety education. The project will also produce feasibility and detailed engineering design studies for Kayunga–Galiraya (83km) and Hoima–Butiaba–Wanseko (111km) roads. The project is to be implemented over a five year period for a total financial requirement of Unit of Account (UA) 110.27million, of which UA 80.0million will be financed through and African Development Fund (ADF) loan.

Project Beneficiaries: The direct beneficiaries of the project outputs are an estimated 0.8 million people of Kiruhura, Ibanda and Kamwenge districts living within the project zone of influence and those of western Uganda. The majority of road users are people involved in agricultural activities, animal husbandry and trading, those seeking social services such as education and medical services, and tourists to Kibale National Park. Administrators and social workers will also make use of the road to provide extension and outreach services.

The impacts of the project are improved transport services with reductions in transport cost, travel time and improved road safety and ultimately improved standards of living among the communities in the zone of influence. The project will contribute to poverty reduction by improving household incomes and well-being through increased access to markets and social services. Additional benefits will emanate from jobs created during construction, sub-contracts for supply of goods and services and roadside socio-economic activities. The communities along the road will also benefit from HIV/AIDS/ Sexually Transmitted Infections (STI) awareness and prevention campaigns. The beneficiaries will participate in the project through involvement during popular consultations; during implementation through employment; and monitoring through representation at various district and local committees.

Project Rationale and Need: The rationale behind the RSSP3 is that the improvement of the road will contribute to the effort of the Government to reduce poverty in rural areas of western Uganda. The RSSP3 is in line with the Road Sector Development Program2 (RSDP2) and the objectives of the Ugandan Poverty Eradication and Action Plan (PEAP) and its successor, the National Development Plan (NDP). Among the key growth drivers is Infrastructure Development and Maintenance, under Pillar 2 of the PEAP and the NDP. The results-based Uganda Joint Assistance Strategy (UJAS) (2005-2009) targets resources to Uganda's development priorities as envisaged in the PEAP and NDP. The intervention in the project road is consistent with Bank Group strategic operational focus for the period 2008/9- 2009/10, the Bank's vision, UJAS, the Medium Term Strategy for 2008-2012, and the spirit of the ADF-XI Replenishment Guidelines. The project has a high economic rate of return and is technically feasible, environmentally sound and socially desirable.

Bank's Value Added: The Bank is already involved in financing the Fort Portal–Bundibugyo– Lamia road under RSSP2, which is part of the East-West spine linking the western part of Uganda and eastern Democratic Republic of Congo (DRC) to central Uganda and onward to the Indian Ocean. The road is an important part of the missing link (209 km) of this spine. The project has benefited from Bank's extensive experience in the road sub-sector in Uganda in reviewing and interpreting the scope of works and detailed engineering design documents; and ensuring that the execution will be in an environmentally and socially acceptable manner.

The Bank will bring, throughout the project cycle, engineering, environmental and economic expertise and experience to realize the objectives and benefits of the project.

Knowledge Management: The project will generate knowledge through best practices from international standards developed from extensive applied research that have complimented national and regional design guidelines. Exchange of information between this intervention and the on-going projects financed by the Bank will provide useful knowledge that will benefit future projects in the country and the region. The knowledge built will be captured through quarterly reports, supervision missions and project completion report and will be shared with the Executing Agency and other development partners.

ROAD SECTOR SUPPORT PROJECT (RSSP)3 : RESULTS BASED-MATRIX

Hierarchy of Objectives	Expected Results	Reach (Target Population)	Performance Indicators Source Method	Indicative Targets Timeframe (Existence of Baseline)	Assumptions / Risks
<p>1 - Sector Goal 1.1 To contribute to poverty reduction by improving sustainable road access to all rural and urban areas of the country.</p>	<p>Impact - Long Term Results 1.1 Improved access to economic and social facilities 1.2 Improved standard of living</p>	<p>Beneficiaries 1.1 Rural and urban populations of Uganda.</p>	<p>Indicators 1.1 Road density 1.2 Percentage of paved road of the national roads 1.3 Incidences of poverty <u>Sources / Method:</u> National Statistical Office data, Vision 2035, Traffic Dept., MOWT, UNRA, Uganda Human Development Reports and CSO.</p>	<p>Target 1.1 Road density increased from 0.35 km /km² in 2008 to 0.42km/ km² in 2014. 1.2 Percentage of the paved national roads increased from 23.9% in 2008 to 36.4% in 2014. 1.3 Poverty (head count) reduced from 31% in 2007 to 28% in 2015.</p>	<p>Risks 1.1.Government commitment to the implementation of the Poverty Eradication Action Plan (PEAP), that will be replaced by the National Development Plan (NDP) 1.2 GOU 's commitment to the implementation of Road Sector Development Program (RSDP) Mitigating Assumptions 1.1 Continued Government and Development Partner's financial support to the implementation of PEAP, NDP & RSDP.</p>
<p>2. Project Purpose (Objective): 2.1 To improve road access in rural areas of western Uganda (Kiruhura, Ibanda and Kamwenge districts) by upgrading the Nyakahita – Ibanda – Kamwenge road from gravel to bitumen standard; and assess the feasibility of investing in the Kayunga – Galiraya and Hoima – Butiaba - Wanseko roads.</p>	<p>Outcomes - Medium Term Results 2.1 Improved and safe transportation services for the population of western Uganda through reduction in travel time and cost. 2.2 Increased movement of people, goods and services 2.3 Established viability of the Kayunga – Galiraya and Hoima – Butiaba - Wanseko roads(technically, economically, environmentally and socially)</p>	<p>Beneficiaries 2.1 General population, agricultural and manufacturing industries within the three districts and western Uganda 2.2 Local and regional business community and traders 2.3. Decision making authorities and Financing agencies 2.4 Consultants and contractors</p>	<p>Indicators 2.1 Vehicle operating costs (VOCs) 2.2 Travel time 2.3 Fatality from Vehicle accidents 2.4 Road condition 2.5 Submission of acceptable and complete final feasibility and detailed engineering design reports to GOU and ADF. <u>Source/Method:</u> Districts, National Statistics, UNRA, MOWT and UNDP reports and data , Police records, Consultant's progress reports,, GOU and ADF review reports</p>	<p>Target 2.1. Reduction of composite VOCs per vehicle km by 48% from USD0.839 in 2009 to USD 0.,435 in 2014 2.2 Average travel time reduced by 38 % from 4hrs in 2009 to 2.5 hrs in 2014 2.3. Paved national road network in fair and good condition in the three districts increased from 52% in 2009 to 100% in 2014 2.4 Reduced fatality rates by 3 %-age points per annum for next 10 years from current average of 68.5/10,000 vehicles. (Road specific baseline to be collected during implementation). 2.5 Average HDI of western Uganda to increase by 5% from 0.563 in 2009 to 0.591 in 2014</p>	<p>Risks 2.1 Lack of maintenance fund 2.2 Heavy goods vehicle overloading 2.3 Failure of implementation of Road Safety Action Plan. Mitigating Measures 2.1 – Implementation of the fuel levy and the Road Fund due in January 2010. 2.2 Axle load control on the project road has been incorporated 2.3 Stakeholder participation in road safety initiatives;</p>

<p>3. Resources and Activities:</p> <p>3.1 Civil works for the upgrading of a 143 km gravel road to bitumen standard with 6.0-m wide carriageway and 2x1.5-m shoulders from Nyakahita - Ibanda - Kamwenge (including axle load control).</p> <p>3.2 Supervision of works</p> <p>3.3 Consultancy services for the feasibility and detailed engineering design studies of Kayunga–Galiraya and Hoima-Butiaba-Wanseko roads</p> <p>3.4 Road Safety and HIV /AIDS</p> <p>3.5 Audit service</p> <p>3.6 Compensation and Resettlement of affected person</p> <p style="text-align: center;">Inputs:</p> <p style="text-align: center;"><u>Inputs - millions UA:</u></p> <table border="0"> <tr><td>Civil Works*</td><td style="text-align: right;">84.44</td></tr> <tr><td>Consultancy (supervision)</td><td style="text-align: right;">4.22</td></tr> <tr><td>Audit consultancy service</td><td style="text-align: right;">0.08</td></tr> <tr><td>Road Safety</td><td style="text-align: right;">0.07</td></tr> <tr><td>Consultancy services (studies)</td><td style="text-align: right;">1.41</td></tr> <tr><td>Other (compensation)</td><td style="text-align: right;">1.69</td></tr> <tr><td>Base Cost</td><td style="text-align: right;">91.91</td></tr> <tr><td>Physical Contingencies</td><td style="text-align: right;">9.19</td></tr> <tr><td>Price escalation</td><td style="text-align: right;">9.16</td></tr> <tr><td>Total Project cost</td><td style="text-align: right;">110.27</td></tr> </table> <p>* weighbridge included in BoQ</p> <p>Sources of financing (million UA)</p> <table border="0"> <tr><td>ADF Loan</td><td style="text-align: right;">80.00</td></tr> <tr><td>GOU</td><td style="text-align: right;">30.27</td></tr> <tr><td>Total</td><td style="text-align: right;">110.27</td></tr> </table>	Civil Works*	84.44	Consultancy (supervision)	4.22	Audit consultancy service	0.08	Road Safety	0.07	Consultancy services (studies)	1.41	Other (compensation)	1.69	Base Cost	91.91	Physical Contingencies	9.19	Price escalation	9.16	Total Project cost	110.27	ADF Loan	80.00	GOU	30.27	Total	110.27	<p>Short Term Outputs:</p> <p>3.1 Double Bituminous Surface Treatment (DBST) standard road of 6.0 m carriageway and 2x1.50 m shoulders from Nyakahita – Ibanda - Kamwenge (143km)).</p> <p>3.2 Axle load control measures introduced</p> <p>3.3. ESMP implemented and all project affected persons (PAP) fully compensated and timely relocated in accordance with the RAP.</p> <p>3.4 Construction workers and local communities sensitised and fully informed about HIV/AIDS/STI and road safety</p> <p>3.5 Obtained feasibility and detailed engineering design and bidding documents for Kayunga – Galiraya and Hoima – Butiaba – Wanseko roads.</p>	<p>Beneficiaries</p> <p>3.1 Local, Regional and international contractors and consultants.</p> <p>3.2 Local traders and service providers</p> <p>3.3 Construction workers and Road users</p> <p>3.4 Communities in project areas.</p>	<p>Indicators</p> <p>3.1 Length of upgraded road.</p> <p>3. 2Axle-load control facility</p> <p>3.3 Number of HIV/AIDS awareness campaigns implemented in partnership with local CBOs and NGOs.</p> <p>3.4 Number of local employees (disaggregated by gender).</p> <p>3.5 Full RAP implementation resettlement / restoration and compensation by 2012.</p> <p>3.6 Award, commencement and final completion of consultancy services for the feasibility and detailed engineering design studies</p> <p><u>Source / Method</u> : Quarterly financial and technical reports, Technical and Financial Audit reports, Disbursement Records, Bank Supervision missions and Mid– Term review , Consultants Quarterly and Progress Reports, Interim and final feasibility, detailed engineering design and bidding documents</p>	<p>Target</p> <p>3.1. 60 km of road upgraded and opened to traffic by project mid-term in 2012.</p> <p>3.2 143 km road upgraded to bitumen standard between Nyakahita Ibanda -Kamwenge by 2014.</p> <p>3.3 Weigh-bridge installed by 2013.</p> <p>3.4 All schools (4 primary and 6 secondary) along the road and at least 33 identified settlements in the project zone of influence received road safety and HIV/AIDS and STI prevention and awareness program, which specifically target vulnerable/ marginalized groups (women, youth, the disabled, etc.).</p> <p>3.5 At least 1300 skilled and semi-skilled jobs created of which 10% will be for women during road construction.</p> <p>3.6 100% of PAPs having being resettled fully compensated and restored to livelihoods..</p> <p>3.7 Submission of final feasibility and detailed design reports and bidding documents to GOU by December 2011.</p>	<p>Risks</p> <p>3.1 Delays on disbursement of counterpart funds and compensation</p> <p>3.2 Cost overrun</p> <p>3.3 Time lapse between loan approval and project execution</p> <p>Mitigating Measures</p> <p>3.1 – For counterpart funds, GOU is committed to include the project in the TSBFP.</p> <p>3.2– Regarding cost overrun, proper review of design has been undertaken ; planned to implement the project as per the time schedule, and provision has been made for price escalation in cost estimates</p> <p>3.3 With respect to delay in project execution, Advanced Contracting is used and follow-up by UGFO.</p>
Civil Works*	84.44																														
Consultancy (supervision)	4.22																														
Audit consultancy service	0.08																														
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Total Project cost	110.27																														
ADF Loan	80.00																														
GOU	30.27																														
Total	110.27																														

Project Timeframe: Road Sector Support Project (RSSP) 3

Activity	2009				2010				2011				2012				2013				2014			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
I. Civil Works																								
1. Compensation, Resettlement																								
2. PQ of Contractors																								
3. Bidding/Contract Award																								
4. Works Execution																								
5. Defects Liability																								
II. Consulting Services for Supervision of Works																								
1. Short-list/RFP																								
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ROAD SECTOR SUPPORT PROJECT 3

REPORT AND RECOMMENDATION OF THE MANAGEMENT OF THE ADB GROUP TO THE BOARD OF DIRECTORS ON A PROPOSED LOAN TO UGANDA FOR THE ROAD SECTOR SUPPORT PROJECT 3

Management submits the following Report and Recommendation on a proposed loan for UA80.0 million to the Government of Uganda (GOU) to finance Road Sector Support Project 3.

I – STRATEGIC THRUST & RATIONALE

1.1. Project Linkages with Country Strategy and Objectives

1.1.1 The sector goal is to contribute to poverty reduction by improving sustainable road access to all rural and urban areas of the country. The specific objective of the project is to improve road access in rural areas of Kiruhura, Ibanda and Kamwenge districts and western Uganda in general by upgrading the Nyakahita–Ibanda–Kamwenge road from gravel to bitumen standard. In addition assess the feasibility of investing in the Kayunga–Galiraya and Hoima–Butiaba–Wanseko roads.

1.1.2 The Road Sector Support Project 3 (RSSP3): Nyakahita–Ibanda–Kamwenge road upgrading project is in line with Uganda’s Poverty Eradication Action Plan (PEAP), which is to be succeeded by National Development Plan (NDP) for the next 5 years (2010/11 – 2014/15). The PEAP identifies and accords high priority to infrastructure development and maintenance under Pillar 2, (Enhancing production, competitiveness and incomes) as one of the five themes to eradicate poverty. The PEAP strategy further identifies transport infrastructure development and maintenance as one of the ten key priority-focus areas. In addition, infrastructure is identified as a key growth driver in the NDP under chapter 5. Within this context, the Road Sector Development Program 2 (RSDP2) is putting emphasis on expanding and improving the road network.

1.1.3 The current Bank Group’s Strategy for Uganda draws on the Results Based Uganda Joint Assistance Strategy (UJAS 2005-2009). UJAS targets resources to PEAP priorities and reinforces this emphasis by highlighting the need for future Bank intervention to focus on transport infrastructure. The intervention in the project road is also consistent with Bank Group strategic operational focus for the period 2008/9- 2009/10, which emphasizes on Pillars 2 and 5 (human development) of the PEAP. These two Pillars support pro-poor growth and poverty reduction, and are fully in harmony with the Bank’s vision, the Medium Term Strategy 2008-2012, and the spirit of the ADF-XI Replenishment Guidelines. The RSSP3 is included under the ADF-XI Indicative Lending Program in the UJAS.

1.2. Rationale for Bank’s involvement

1.2.1 The Bank’s intervention is consistent with the country’s aspirations to improve transportation services. The Bank is already involved in the financing of Fort Portal–Bundibugyo–Lamia road (103km), which is part of the Kampala–Nyakahita–Fort Portal- Lamia East-West spine linking the western part of Uganda and eastern Democratic Republic of Congo (DRC) to Kampala and on-ward to the Indian Ocean. The 143 km road project is an important part of the missing link (209 km) of the spine. The road has been identified as one of the priority road links and has been conceived under the RSDP2, which is within the framework of the Sector Investment Program. The Bank financed the study and detailed engineering design of the project under ADF IX. GOU requested the Bank in November 2008 to finance the project. Therefore, the continued support of the Bank is logical. The proposed two feasibility studies, namely Kayunga–Galiraya (83km) and Hoima–Butiaba–Wanseko

(111km) roads are part of the national network that traverse very rich agricultural hinterland that will facilitate multi-modal transport systems by linking road with inland water transport on Lakes Kyoga and Albert. The Hoima– Butiaba-Wanseko road is also vital for facilitating the oil exploration and extraction activities. The feasibility studies will determine the most economic option of upgrading the road and preparation of documents for intervention by Developments Partners (DP) and the Bank during the next ADF cycle.

1.3. Donors Coordination

	Sector or subsector*	Size				
		GDP	Exports	Labor Force		
	Transport	[4.0]	[n/a]	[%]		
Players - Public Annual Expenditure (2007/08)						
	Government	Donors	EU	UA in million 58.6 (53%)		
UA	53.9	110.0	World Bank	31.9 (29%)		
m						
%	32.9	67.1	ADF	15.6 (14%)		
			DANIDA	2.2 (2%)		
Level of Donor Coordination						
	Existence of Thematic Working Groups			[Y]		
	Existence of SWAps or Integrated Sector Approaches			[Y]		
	ADB's Involvement in donors coordination***			[Member]		
* as most appropriate ** Years [yy1 to yy2] *** for this sector or sub-sector						
**** L: leader, M: member but not leader, none: no involvement						

Comments on Donor coordination:

1.3.1 There is good co-ordination of activities of DPs in the country in the transport sector through a Transport Sector Working Group (TSWG) that provides a platform on which the DPs discuss financing and implementation issues in the sector. The RSDP2 was a result of extensive consultation and collaboration between the GOU and DPs. Nine donor agencies/financial institutions (DANIDA, EU, IDA, BADEA, ADB, NDF, JICA, IDB and DFID) are involved in funding the programme and the TSWG is currently led by the EU. Government also undertakes joint Transport Sector Review Meetings with participation of public sector stakeholders and DPs to ensure Government-led donor co-ordination. The Bank actively participates in the Government-Donors TSWG. Sectoral co-ordination is achieved through the Transport Sector Budget Framework Paper (TSBFP), a 3-year rolling medium-term expenditure framework which is a tool for implementing the RSDP2. The draft TSBFP with respect to the sector is also discussed with DPs prior to presentation to Cabinet and Parliament. Overall there is effective planning and investment co-ordination in the sector. DPs including the Bank have invested substantially in the sector and have contributed to the achievement of the objectives of the program. During project preparation and appraisal, the Bank project team held extensive consultations with the main donors actively engaged in the transport sector in which the importance of the intervention in this project was recognized.

II – PROJECT DESCRIPTION

2.1. Project Components

2.1.1 The RSSP3 project comprises civil works for upgrading of Nyakahita-Ibanda-Kamwenge Road (143km) to bitumen standard including HIV/AIDS mitigation and ESMP implementation; design review, pre-contract services and supervision of the civil works; road safety; compensation and resettlement; project audit and the feasibility and detailed engineering design of two roads. The civil works will be implemented in two lots, namely Lot 1 – Nyakahita–Kazo (68km) and Lot 2 – Kazo-Kamwenge (75km).The project components are outlined below:

Table 2.1: Project Components

No.	Component name	Est. cost (UA million)	Component description
1	Civil works for upgrading of gravel to bitumen (143 km)	101.41	<ul style="list-style-type: none"> ▪ Upgrading the existing gravel surfaced road to a bitumen road of 6.0m wide carriageway and 1.5m shoulders for the Nyakahita–Ibanda-Kamwenge to a 30mm Double Bitumen Surface Treatment (DBST) on a crushed stone base (200 or 225mm on a granular sub-base (200, 250 or 275mm) thickness depending on traffic loading and foundation conditions; ▪ Mobilization of contractor; ▪ Camp site construction; ▪ Road construction (including axle load control); ▪ HIV/AIDS mitigation; ▪ ESMP implementation; and ▪ Defects Liability Period.
2	Design review, pre-contract and supervision services	5.05	<ul style="list-style-type: none"> ▪ Design Review; ▪ Review of bidding documents, pre-bid meeting and site inspection, bid evaluation to award of contract; ▪ Quality Assurance; ▪ Contract management; and ▪ Baseline data collection.
3	Road Safety	0.08	<ul style="list-style-type: none"> ▪ Public Awareness campaigns; and ▪ Media broadcasting.
4	Compensation and Resettlement.	1.99	<ul style="list-style-type: none"> ▪ Compensation of PAP.
5	Feasibility & Detail Engineering Design Studies	1.64	<ul style="list-style-type: none"> ▪ Preparation of feasibility studies and detailed engineering design and cost estimates for different options of intervention; ▪ Project Inception; ▪ Field Investigations; and ▪ Reporting.
6	Audit	0.10	<ul style="list-style-type: none"> ▪ Financial audits.

2.2. Technical Solution Retained and Other Alternatives Explored

2.2.1 Project design considered three alternatives, namely (i) Double Bitumen Surface Treatment (DBST); (ii) Asphalt Concrete (AC); and (iii) engineered gravel upgrade with a 225 mm gravel wearing course on 275mm natural gravel sub-base, re-gravelled every three years. The pavement retained comprises a 30mm Double Bitumen Surface Treatment (DBST) on a crushed stone base (200 or 225mm) on a granular sub-base (200, 250 or 275mm), the thickness dependent on traffic loading and foundation conditions. DBST is recommended as the most technically feasible and economically viable solution.

Table 2.2: Project Alternatives Considered and Reasons for Rejection

Alternative name	Brief description	Reasons for rejection
Asphalt Concrete (AC)	40 mm asphalt concrete surfacing on 85 to 105mm asphalt base on 150mm granular layer on 150mm granular sub-base.	<ul style="list-style-type: none"> ▪ Less economically viable when compared with DBST, giving lower economic rate of return at higher construction cost.
Engineered Gravel Road	225 mm gravel wearing course on 275 mm natural gravel sub-base re-gravelled every three years.	<ul style="list-style-type: none"> • Not economically viable; and • Not environmentally sound

2.3. Project Type

2.3.1 The project is a stand-alone in support of the RSDP2 that identified this road among its priorities. The modality of operation suits the type of works typical of civil works contracts for road projects, as opposed to budget support. Initiatives of basket financing in the roads sub-sector (SWAp) are being explored by the Transport Sector Working Group.

2.4 Project Cost and Financing Arrangements

2.4.1 The estimated project cost was based on the detailed design and recent tender rates. A provision of 10% was made to accommodate physical contingency and price escalation of 3% and 7% per annum for foreign and local costs, respectively. The project cost estimate is UA 110.27million net of taxes, which is made up of UA85.29million (77.3%) in foreign exchange cost and UA24.98million (22.7%) in local cost.

2.4.2 The proposed financing from ADF loan will cover the 92.3% of the foreign exchange cost (UA78.73 million) and 5.1% of the local cost (UA1.27 million). The GOU will finance the 7.7% of the foreign exchange cost (UA6.56million) and 94.9% of the local cost (UA23.71 million), which is equivalent to 27.4% of the total project cost. GOU has given an undertaking to finance the project up to 30% of the total project cost. The summary and the proposed financing plan by source of finance and by component are presented below:

Table 2.3 Summary of Project Cost Estimates by Component (UGX billion and UA million – net of taxes)

Component	Ugandan Shillings (UGX billion)			Unit of Account (UA million)		
	Foreign Exchange	Local Cost	Total	Foreign Exchange	Local Cost	Total
A. Civil works						
Lot 1 - Nyakahita - Kazo	101.04	25.26	126.30	29.18	7.29	36.47
Lot 2 - Kazo - Kamwenge	132.91	33.23	166.13	38.38	9.59	47.97
Sub total	233.95	58.49	292.44	67.55	16.89	84.44
B. Consultancy Services						
Consultancy services for lot 1	5.05	1.26	6.32	1.46	0.36	1.82
Consultancy services for lot 2	6.65	1.66	8.31	1.92	0.48	2.40
Supervision subtotal	11.70	2.92	14.62	3.38	0.84	4.22
Studies						
Kayunga -Galiraya	2.08	0.24	2.32	0.60	0.07	0.67
Hoima - Butiaba-Wanseko	2.32	0.24	2.56	0.67	0.07	0.74
Studies subtotal	4.39	0.49	4.88	1.27	0.14	1.41
Road Safety	0.19	0.05	0.24	0.06	0.01	0.07
Audit	0.28	0.00	0.28	0.08	0.00	0.08
Sub total	16.56	3.46	20.02	4.78	1.00	5.78
C. Others (Compensation)	0.00	5.66	5.66	0.0	1.69	1.69
Base Cost	250.51	67.61	318.13	72.33	19.58	91.91
Physical Contingencies (10% base cost)	25.05	6.76	31.81	7.23	1.96	9.19
Price Escalation (3% for FE % 7% for LC)	19.82	11.92	31.74	5.72	3.44	9.16
Total	295.38	86.29	381.67	85.29	24.98	110.27

UA1.00 = UGX3463.31 UA1.0 = USD1.54805 USD1.0=UGX2237.21 as at June 2009

*HIV/AIDS awareness and prevention , ESMP implementation and service duct for fibre optic are included in BoQ. The weighbridge is in the BoQ of Lot 2;

Table 2.4. Source of Finance (UA Million – net of taxes)

SOURCE	Foreign Currency	Local Currency	Total	%
ADF	78.73	1.27	80.00	72.6
GOU	6.56	23.71	30.27	27.4
Total	85.29	24.98	110.27	100
Percentage	77.3	22.7	100.0	

Table 2.5. Source of Finance by Component (UA Million – net of taxes)

COMPONENT	ADF	GOU	TOTAL
Civil Works	73.13	28.28	101.41
Supervision	5.05	-	5.05
Road Safety	0.08	-	0.08
Project Audit	0.10	-	0.10
Compensation & Resettlement	-	1.99	1.99
FS & DD	1.64	-	1.64
TOTAL	80.00	30.27	110.27

Table 2.6 Expenditure Schedule by Component (UA million – net of taxes)

COMPONENT	2009	2010	2011	2012	2013	2014	TOTAL
Civil Works	-	15.72	32.81	31.77	18.23	2.88	101.41
Supervision and Pre – contract Services	-	1.08	1.51	1.47	0.84	0.14	5.05
Road Safety	-	-	0.03	0.03	0.02	-	0.08
Audit Services	-	-	0.002	0.024	0.023	0.023	0.10
Compensation & Resettlement	0.47	0.83	0.69	-	-	-	1.99
Feasibility Studies & Detailed Design	-	0.56	0.81	0.27	-	-	1.64
Total	0.47	18.21	35.88	33.56	19.11	3.05	110.27

Table 2.7 Expenditure Schedule by Source of Finance (UA million - net of taxes)

SOURCE	2009	2010	2011	2012	2013	2014	Total
ADF LOAN	--	12.99	26.04	24.70	14.03	2.25	80.00
GOU	0.47	5.22	9.84	8.86	5.08	0.80	30.27
Total:	0.47	18.21	35.88	33.56	19.11	3.05	110.27

2.5. Project's Target Area and Population

2.5.1 The project road starts at Nyakahita on the Kampala-Mbarara road in Kiruhura district in western Uganda and traverses Ibanda and Kamwenge districts passing through five towns and urban centres. The area has a projected population of approximately 0.8million and the general population of western Uganda estimated at 7.69 million. The area has an average sex ratio of 94 compared to national average of 96. The beneficiaries of the project include communities of the three districts, communities along the road, business operators, traders and those seeking social services such as education and medical services, and tourists to Kibale National Park. Administrators and social workers will also benefit from the road to provide extension and outreach services. The main outcomes include improved and safe transportation services for the population of western Uganda to markets, social services, through reduction in the cost of transport, travel time and improved road safety and ultimately improve the living standards of the communities in the zone of influence.

2.6. Participatory Process for Project Identification, Design and Implementation

2.6.1 Consultations with the beneficiaries were conducted during the ESIA and RAP studies, which had a total of 56 stakeholder meetings held along the road of which 8 were held at the district and 48 were with the communities. Over 1,400 persons were consulted within 15 sub-counties. All the consultative meetings were conducted through Runyankole/Rutoro local languages. The project has also benefited from wider consultations and discussions within Government's central and sectoral ministries and key DPs through the TSWG. The project road has been identified as one of the priority road links conceived under the RSDP2 within the Sector Investment Program. Other key stakeholders included UWA (Uganda Wildlife Authority), National Environmental Management Authority (NEMA), district councils, Non Governmental Organizations (NGOs), Community Based Organizations (CBOs) and civil society. Key concerns raised during the consultations have been incorporated in the project design and these include: creation of employment opportunities for local population during construction; abstracted access to homesteads by contractor; timely compensation of the project affected persons; contamination of water sources (wells) located close to the road; and concerns on the potential of the spread of HIV/AIDS and STI.

2.6.2 Notwithstanding the high contribution expected from the GOU, efforts to get a co-financier for the project have not been successful due to earlier commitments in other sectors that most donors have already made. The scope for private sector participation in financing of the project was assessed, but

not pursued because the projected level of traffic did not meet the required threshold to attract private investors. However, the level of government involvement demonstrates the high priority accorded to the project.

2.6.3 There will be continued consultations during the life of the project where the Uganda National Roads Authority (UNRA) will present progress reports and participate in joint Transport Sector Review Meetings with participation of public sector stakeholders and DPs; and through regular meetings of the TSWG. Local communities, NGOs and other stakeholders will participate through various fora put in place for implementation and monitoring.

2.7. Bank Group experience, lessons reflected in project design

Status and impact of prior Bank Intervention in the Sector

2.7.1 The Bank Group has a comparative advantage in the road sub-sector of Uganda due to its long standing experience that commenced operations in 1975 and to date, has financed eleven projects and twelve studies for a total amount of about UA 212.69 million, of which UA 12.25 million has been in grants. Nine projects and six studies have been completed satisfactorily. These include the feasibility and detailed engineering studies of 1589 km main roads and 2105km district roads. Two projects (203km), RSSP1 (Kabale–Kisoro–Bunagana/Kyanika) and RSSP 2, (Fort Portal-Bundibugyo-Lamia) are under construction and bid evaluation stage respectively. Excluding the two on-going, the above Bank financial assistance has resulted in the rehabilitation and upgrading to bitumen standard of 327 km of main roads, 270 km of road resealed and re-gravelled, 2400 km of district roads maintained and 2000 km of spot improved district roads. The interventions have contributed to improved road conditions, annual vehicle fleet increase of 9.0% and annual traffic growth by 8% in the last ten years. These interventions have led to opening up of isolated and inaccessible areas to markets. Post evaluation undertaken for the completed projects has indicated that the constructed roads have brought about an all round improvement and growth in production in the agricultural and livestock sectors. The Bank interventions have also fostered regional integration and trade between Uganda, Tanzania, Kenya, Rwanda and DRC.

Lesson Learned and Reflected in project Design

2.7.2 The design of this project has benefited from lessons learnt in previous Bank's interventions in the roads sub-sector. Experience has been acquired from portfolio management and project completion reports (as summarized in Annex B1). Such lessons and experiences include (i) avoiding delays in start-up activities and commencement of project implementation. This has been mitigated by streamlining loan conditions to avoid delays in start-up activities and commencement of project implementation; (ii) improving timely release of counterpart funds. This is addressed in the TSBFP by placing RSDP2 in the 'core area' of the consolidated budget to improve the availability of funds; (iii) non – submission of financial audit reports. This is mitigated in the project design by incorporating provision for procuring services of an independent auditing firm; (iv) modification of the scope of works that impede project implementation. Critical review of the detail design documents during project processing was carried out by the Bank to avoid modification of the scope of works during project implementation that would result in cost overruns and execution delays. Since the Bank financed the feasibility and detailed engineering design, there was proper follow up of the design studies by the Bank; (v) premature failure of the pavements will be mitigated by the inclusion of axle load control measures in the project, which has been transferred from MOWT to UNRA. To minimize delays in procurement and disbursements, the Uganda Field Office (UGFO) will follow-up on required activities by the Executing Agency.

2.8. Key performance indicators

2.8.1 Outcomes and outputs identified to be monitored in the Results-Based Logical Framework will be measured at the beginning of project implementation, during project implementation as sections of the road are opened to traffic, project completion and 3 years after completion. The identified outcomes include (i) transport costs and travel time, (ii) transport fares and freight charges, (iii) accessibility index, (iv) accident statistics, (v) jobs created during construction and maintenance, (vi) gender mainstreaming in construction jobs, (vii) HIV/AIDS prevalence rate and reduction, (viii) the implementation of the ESMP and (ix) income /poverty indicators. In the medium term (2012), progress shall be gauged by completion of at least 60 km of road. By 2014 the entire 143 km of bitumen standard road between Nyakahita and Kamwenge will be open to traffic. By 2014, the national road network in fair to good condition will have increased to 92% from 82% in 2008. In addition, all primary schools (4) and secondary schools (6) along the road and at least 33 identified settlements in the project zone of influence will have received road safety and HIV/AIDS and STI awareness. At least 1300 skilled and un-skilled jobs will have been created of which 10% will have been for women during road construction; and finally, 100% of PAPs resettled and restored to livelihoods, and compensated fully. The supervision consultant will be responsible for the collection of baseline data, including disaggregating it by gender, at various intervals throughout project execution as a means of ensuring that the intended targets are achieved. Implementation progress will be triggered by ensuring timely appointment of consultant, awarding the civil works contracts; and timely compensation and resettlement. The possible sources of data shall include quarterly progress reports, financial and technical reports, audit reports, disbursement records, Bank supervision mission and mid-term review reports.

III – PROJECT FEASIBILITY

3.1. Economic and financial performance

3.1.1 The methodology for the economic analysis is based on cost benefit analysis by comparing the “with” and “without “ project scenarios over a period of 20 years, using the Highway Development and Management Model (HDM-4). A discount rate of 12%, a residual value of 15% and upgrading period of 3 years starting August 2010 are adopted. The economic costs consist of (i) the capital investment costs and (ii) the routine and periodic maintenance expenses. The benefits consist of savings in (i) vehicle operating costs; (ii) motorized traffic travel time for passengers and cargo; and (iii) non motorized transport traffic travel and operation. The traffic and economic analysis results are presented in Annex B7. The summary of the economic analysis is presented in Table 3.1.

Table 3.1: Summary of the Economic Analysis

FIRR, NPV (base case)	(Not Applicable)
Economic Internal Rate of Return(EIRR)	20.0%
Net Present Value (NPV) in US\$	67.37million
Sensitivity of EIRR of concurrently 20% increase in cost and 20% decrease in traffic	13.6%

3.2. Environmental and Social Impacts

Environment

3.2.1 The road project has been classified as Category 1 in accordance with Environmental and Social Assessment Procedures (ESAP). The road is 143 km long which is significantly longer than the cut-off point of 50 km; and has the potential to generate a number of negative impacts. The works shall involve land uptake, displacement of households and roadside businesses; changes in landscape

through cut and fill works. The Executive Summary of the ESIA and RAP has been posted on the Bank's website since 25th May, 2009.

3.2.2 Major adverse impacts include land uptake, vegetation loss, and borrow and spoil area excavations. The negative impacts will be mitigated through; adequate and timely compensation for land and crops, restricting vegetation, sprinkling of water to curb dust, and screening off schools that are too close to the road. However, the road project is expected to have some environmental benefits for the communities living in the project zone of influence. These include the tree planting and beautification program, provision and protection of water sources from contamination; and hygienic improvements in some road side markets. An estimated budget of US\$520,738 for mitigation and enhancement has been provided for in the project costs under the ESMP.

Climate change

3.2.3 The project area has two climatic zones, dry semi-arid zone and a zone with fairly good rainfall. Most of the project area has relatively high temperature ranging from 26.3^oC to 33^oC. According to the Meteorological Department, rainfall patterns for the period 1968-2008 have been relatively low averaging about 905mm per year. This implies a slim chance of very adverse climatic changes which would result either in severe drought or excessive rainfall to impact the road. In the event, however of increased rainfall, the project design has taken various measures to protect the road infrastructure and properties along the road. In low lying areas, the embankment has been raised, the design has included drainage facilities such as gabion construction, stone pitching and construction of gullies to re-direct the water flows. In high areas which are prone to erosion and land slides due to deep cuts, the design has included construction of steps, cut-off drains, underground drains and grassing. It should be noted that weather and climatic conditions inevitably affect paved roads, hence the solution lies in routine and periodic maintenance.

3.2.4 During operation, there will be an increase in traffic associated with increased gas emissions. Although the traffic volumes are not expected to significantly contribute to green house gases, the project has included in its design planting of trees along the perimeter of the road reserve. These trees will be cared for by communities and UNRA's maintenance sub-contractors. While the trees will work as carbon sinks, UNRA has devised a policy of planting trees to safeguard the right-of-way from new encroachments. On a related matter, Uganda has phased out the use of leaded fuel and this has helped curb dangerous fumes.

Gender

3.2.5 The Government of Uganda's National Gender policy revised in 2007 ensures that a gender perspective is taken into account in all development programs. Similarly, the government recognizes the importance of transport infrastructure in reducing poverty, promoting investment and human development, and strengthening the capacity to deliver social services of which women play a key role both as providers and recipients. While all persons in the project area will be affected by the project; it is envisaged that women will bear a greater burden. The expected negative impacts on women include exposure to HIV/AIDS and STIs and increased sexual exploitation of young girls which could also lead to unwanted pregnancies. Due to the nature of the main economic activities in parts of the project area, there will also be significant negative impacts on boys, especially in the areas where there are a high number of pastoralists' communities, where the male take on the role of herdsmen and use the road to move cattle to water drinking points and grazing land. During the implementation of the road, a significant amount of water will be used by the contractor in an area that already faces water scarcity.

This will have a great negative impact on pastoralists who rely on the limited water points for both human and animal consumption. This will also add a greater burden on women, who are primarily responsible for fetching water for household use by adding to the long distances travelled in search of water.

3.2.6 Mitigation measures have been developed and budgeted for in the ESMP. These measures include sensitization campaigns to address HIV/AIDS and STIs and the provision of extra water sources within reach of the communities. The expected positive impacts on women during the implementation period are an increase in income through the supply of food and cleaning services for the construction workers and the construction site. However, most benefits will be realised after project completion which include: additional income generating activities, greater mobility, greater access to markets, and increased access to socio-economic infrastructure such as education and health centres. Men are expected to also benefit from the project, during implementation from employment opportunities such as unskilled labor of which 10% will go to women, and after the project completion, through greater mobility.

Social

3.2.7 The road project traverses an area of high agricultural potential in so doing supports the objectives of the Plan for the Modernization of Agriculture (PMA) which is aimed at the eradication of poverty and transformation of agriculture. Among the outcomes of the project is an improved transportation system which will allow populations in the project area, who are predominantly agro-pastoralists to easily access inputs and produce markets hence increase the farm-gate prices and increase earnings. Baseline data will be collected during implementation which will form the basis for monitoring impacts (See Annex B8). In addition, the road will provide employment opportunities to approximately 1300 people over a period of three years. The bulk of unskilled and semi-skilled workers will come from the locality of the project. It is estimated that at least US\$ 2.8 million will be injected into the local economy through wages. Furthermore, direct and indirect incomes will be earned through supply of goods and services to the project such as construction materials, food, cleaning and hospitality services, etc.

3.2.8 The positive impacts of the road include: easing access to social services leading to better health, greater productivity and consequently, improved well-being; easier access to in-puts and extension services. Other benefits will accrue from the complementary initiatives which include water provision, construction of markets and improvements to school infrastructure. Anticipated negative impacts include: dislocation of households and property damage, land-uptake, disruption to roadside trade, disturbance to classes, spread of HIV/AIDS, increased road accidents, potential for malaria mosquito breeding areas (open borrow pits), and potential social conflicts with migrant labour. With regard to HIV/AIDS and STI, Annex C4 presents an expanded ToR and enhanced Special Clauses for HIV/AIDS interventions. A road safety awareness and education campaign has been included in the project at an estimated cost of UA 0.08 million. Project mitigation measures have been stipulated, costed and integrated into the ESMP as well as in the BoQs.

Involuntary resettlement

3.2.9 The project is likely to affect 674 households in various ways; among which 29 households will have to be completely relocated or step-back, and 330 will have other buildings (non-dwelling) or compounds partially affected. The remaining 315 will be affected mainly through loss of portions of cultivation land, crops, trees, etc. The overall assets that will be affected include houses, roadside market stalls and kiosks, water pipes crops and trees along the road and in the re-aligned areas.

Displacement of people is likely to be in the trading centres where structures are fairly close to the road. There are no schools or clinics that will be physically destroyed, some schools will experience disturbance through dust and noise nuisance, though. Such schools will be screened off during construction. Where roadside markets are very close to the road, such facilities will be relocated and rebuilt. As a measure to mitigate all the negative impacts a full RAP has been prepared and covers compensation, implementation and monitoring cost.

IV – IMPLEMENTATION

4.1 Implementation Arrangements

Institutional

4.1.1 UNRA established by an Act of Parliament, is an autonomous entity that has been mandated the management of the national road network on behalf of the GOU , will be the implementing agency for this project. The organizational structure of UNRA is presented in Annex B4. All projects, activities, staff and facilities that were under the Road Agency Formation Unit (RAFU) have been fully transferred to UNRA, starting July 2008. RAFU (now UNRA) has in the past satisfactorily supervised similar road projects financed by donors including the Bank and therefore UNRA has the institutional capacity, the right skills mix and experienced staff to successfully coordinate and oversee the execution of the project. UNRA through the nominated Project Coordinator (already approved by the Bank) will be responsible for overall coordination of the activities of the project, and serve as a contact person for all the parties involved in the project. He will submit monthly reports prepared by the consultant; quarterly reports prepared by UNRA and liaise with the Bank during the preparation of the Project Completion Report. He will in addition collaborate with the UNRA Environmental and Social Officers to coordinate the implementation of the ESMP.

4.1.2 The civil works will be implemented in two contracts over a 36 months contract period and the feasibility and detailed engineering studies over 18 month period. The contractor will be responsible for implementing ESMP measures while resettlement and compensation will be the responsibility of UNRA. UNRA through the Resident Engineer will supervise all environmental and social aspects on site. Compliance with environmental laws and regulations will be monitored by NEMA both at national and district levels. UNRA will sub-contract a service provider to execute the resettlement and compensation in accordance with RAP. Implementation of the Cross Cutting Issues (CCIs) mainly HIV/AIDS and road safety will be sub-contracted to service providers (NGOs, CBOs, etc), respectively. Various sectoral ministries, agencies and NGOs shall be involved in implementation through their participation in the various fora.

Procurement

4.1.3 UNRA will be responsible for the procurement activities for the project. All procurement of goods, works, and related services, and acquisition of consulting services financed by the ADF will be in accordance with the Bank's *Rules and Procedures for the Procurement of Goods and Works and Rules and Procedures for the Use of Consultants*, using the relevant Bank Standard Bidding Documents. The procurement arrangements are summarized in Annex B5. UNRA has a procurement division, which is under Finance and Administration Director, responsible for all procurements including donor funded projects. The section is adequately staffed and has the capacity for the procurement for this project.

Disbursement

4.1.4 The loan will be disbursed for two categories of expenditure including civil works and consulting services for design review/supervision, studies, road safety and audit services. The Direct Payment Disbursement Method will be used for all payments against standard documentation as specified in the Bank's *'Disbursement Handbook'*. Further disbursement details are provided in Annex B4.

Financial Management

4.1.5. UNRA will be responsible for financial management and reporting for the project. The Directorate of Finance and Administration Department through the Development Credit Accountant will be responsible for the function. The Department has experience in financial management of donor funded projects and therefore has the capacity to manage the finances of the project. A well-documented Financial Management Manual, which outlines internal control procedures as well as financial reporting arrangement to Government and DPs has been developed and found acceptable. An accounting and financial system using the accounting system package PASTEL accounting software is operational and has enhanced accountability, managerial autonomy and financial control. The Department will maintain separate financial records and statements of the project. The financial statements and project accounts will be audited annually by an independent auditing firm following the Bank's Guidelines for Project Audit.

4.2 Monitoring

4.2.1 UNRA, the Supervision Consultant and Bank supervision mission will monitor the project. However the day to day activities will be supervised by the Supervision Consultant. UNRA through the project coordinator will submit monthly reports prepared by the consultant and quarterly reports prepared by UNRA in Bank's format. These reports will include physical, financial, social and environmental indicators that the project has achieved. The reports will also provide updated information on project implementation, highlighting key issues and problem areas, and recommending action plans for resolving identified bottlenecks. Copies of these reports will be reviewed by the UGFO to advise UNRA prior to onward transmission to Head Office. In addition, the project will be monitored through the Bank's field supervision missions (twice a year), and a mid-term review in the second year of implementation to identify any major constraints facing the project and provide the required corrective measures.

4.2.2 Based on the ESMP, the mitigation measures will be supervised by the consultant and monitored by the Environmental and Social Officers within UNRA in collaboration with the Project Coordinator. As required by law, NEMA will monitor all ESMP requirements through reports and audits. The MOWT Environmental Liaison Unit will participate in the monitoring of the road activities during the operations. The local committees at both district and community levels (District Environment Committees and Local Environment Committees), Ministry of Lands, District Land Boards, Parish Committees and local leaders, NGOs and CBOs will also monitor specific aspects of the program including RAP. The Bank's supervision missions and UGFO will also be responsible for monitoring and ascertaining the implementation of the ESMP.

4.2.3 At 85% completion of the project components, the Bank and the Executing Agency will start preparing a Project Completion Report for submission to the Bank as specified in the General Conditions. This report, the consultant's final project report and the Executing Agency's performance statistics and financial performance will form the basis of post-evaluation of the project.

4.3 Governance

4.3.1 According to the World Bank's 2008 Governance Indicators, Uganda's political environment has improved and significant achievements have been made in ensuring access to political and civil rights. This is also evident in the GOU's commitment to the final resolution of the armed conflict in the Northern part of the country and the first multi-party elections held in 2005/06. The GOU has shown commitment to fighting corruption and related crimes leading to improved transparency and accountability.

4.3.2 In order to sustain the fight against corruption, the GOU launched a National Anti -Corruption Strategy (NACS), a five year planning framework (2008-2013) designed to make a significant impact on building the quality of accountability and reducing the levels of corruption in Uganda. DPs (DFID, World Bank, DANIDA, EU and the Government of Netherlands) are supporting the implementation of NACS through institutional capacity building and have also put the anti-corruption fight high on the agenda.

4.3.3 During DPs consultations, no malpractices were reported. The specific risk mitigation measures of the present project include (i) the appointment of an independent financial audit firm to ensure that funds are used efficiently and for the intended purposes (ii) Bank prior review and approval of all project procurement activities; and (iii) the use of direct disbursement methods to channel project funds to the contractors and service providers.

4.4 Sustainability

4.4.1 Government has identified transport infrastructure development as one of the priority focus areas for medium term action to attain the objectives of the PEAP and RSDP2. To that effect, the road sub-sector has undergone reforms that include the establishment of UNRA in July 2008 and the establishment of the Uganda Road Fund (URF), which will come fully operational in January 2010, as well as restructuring the MOWT. UNRA has been mandated the management of the national road network on behalf of Government with financing from the Road Fund for road maintenance that generates revenues from road user charges. MOWT is to retain policy formulation, monitoring and regulation functions of the sub-sector. The objective is to manage the road network on a commercial basis on the user pay principle which is expected to improve the efficiency of overall delivery of the RSDP2. UNRA is fully staffed with qualified personnel and has retained the experience and capacity to manage the national road network from its predecessor RAFU, which has been operational since 1998.

4.4.2 In order to ensure sustainability, Government has taken measures to ensure a steady and regular flow of maintenance funds and in 2007/08 increased the allocation to maintenance by about 100% over 2006/07. Furthermore, in order to ring-fence financing for maintenance, a second generation Road Fund (collected revenue directly transferred to the road fund) is scheduled to be fully operational beginning January 2010. In addition the transfer of the maintenance function from the MOWT to UNRA has improved planning, programming and execution of maintenance works. UNRA is operating as a manager and purchaser of services and works for network maintenance and development. This is evidenced by the shift from force account operations to contracting out routine and periodic maintenance to the private sector that has enhanced the growth of the domestic construction industry and improved delivery of road works. Force account maintenance will eventually be limited mainly to emergency responses only.

4.4.3 With respect to the project, maintenance of the completed sections will be the responsibility of the contractors during the construction phase and defects liability period. After completion, UNRA will be responsible for maintenance of the road through financing from the Road Fund. The project has further built in axle load control facility to protect the road from overloading and also considering the traffic to DRC, (when the Fort Portal Bundibugyo Lamia Road (RSSP2) is completed).

4.4.4 Analysis of road maintenance funding shows that sufficient funds will be available to cover routine maintenance of the road network in good and fair condition, once the fuel excise duty is fully dedicated to road maintenance. In the medium term, GOU is considering widening the road user charging system by incorporating transit fees, vehicle license fees and weigh-distance charges. Moreover, UNRA intends to implement a number of measures that include: (i) introduction of framework contracts based on long-term maintenance contracts; (ii) utilization of private sector performance based maintenance contracts on the most trafficked road sections; and (iii) investigation of tolling of the most trafficked road sections on the network. From the foregoing, it is evident that implementation of the measures above will ensure sustainability of the sub-sector. Annex C2 gives details of road network financing needs and revenues.

4.5. Risk Management

4.5.1. *Counterpart Financing:* The risk of failure to pay counterpart financing, in accordance with the projections, has reduced due to the implementation of the three-Year Rolling TSBFP sector ceilings. The TSBFP is reviewed annually in May with the DPs and the GOU in time for the budget in June, and this serves to minimize the risk of failure to pay counterpart financing.

4.5.2 *Implementation Delays:* The risk of delays in fulfilment of conditions for loan effectiveness hence impeding project implementation have been mitigated by ensuring conditions for effectiveness kept to a minimum. Further the Advance Contracting for works and consultancy has been approved to fast track implementation. Experience of UNRA in Bank's rules and procedures should further reduce the risk of implementation delays.

4.5.3 *Resettlement & Compensation:* The level of risk in government delaying to finalize all matters of resettlement and compensation in accordance with Bank Policy has been mitigated through enhanced procedures and adequate budget at UNRA for implementation of RAP, and through a loan condition of first disbursement by sections of the road works, instead of compensation for the entire road.

4.5.4 *Cost overrun:* The risk of increase in project costs due to the volatility of oil prices and prices of construction materials has been mitigated by proper review of the detailed design and basing the cost estimates on tender rates of similar contracts. Provisions have been made for a contingency amount to cater for possible escalation of prices of materials, labour and fuel. The bidding documents will make provisions for the bidders to list special materials that are sensitive to oil prices to compensate and reduce pressure on the contractor. The recommendations of the Unit Cost Study have also been reviewed as detailed in Annex B2. Further implementing the project according to time schedule and UNRA's experience will minimize the effects of delayed project execution. Advance Contracting for works and consultancy has been utilized. The UGFO will provide information and follow-up on loan effectiveness requirements and Bank procurement and disbursement procedures to ensure that the project implementation schedule is adhered to. The fiscal impacts of the global economic crises on the government capacity to meet counterpart contribution will be mitigated by the anticipated future Government favourable oil revenue during project implementation.

4.5.5 *Overloading*: The risk of overloading of heavy vehicles might contribute to pre-mature pavement failure. This has been mitigated through construction of a weighbridge at strategically important location on the project road to reduce damage to pavements. The transfer of axle load control from MOWT to UNRA, an entity responsible for the maintenance of the road network, has put the responsibility under an organ that has direct interest of ensuring that heavy goods vehicles comply with the permissible axle and gross vehicle loads.

4.6. Knowledge Building

4.6.1 The project will generate knowledge through best practices from international standards developed from extensive applied research that have complimented national and regional design standards and guidelines. Exchange of information between this intervention and the on-going projects financed by the Bank will provide useful knowledge to the project managers that will benefit future projects in the country and the region. Studies also point out the critical role of improvement in transportation resulting in reduction in transport cost, travel time and improving the general welfare of the population in the project zone of influence. The project provides a good opportunity to test this hypothesis and expand the knowledge in this area. The communities including school children within the project zone of influence will benefit from road safety and HIV/AIDS awareness programmes conducted as part of the project. Knowledge will be built in the UNRA through counterpart training offered by the supervision and studies consultants for the project. The effectiveness in knowledge building will be captured through quarterly reports, supervision missions and project completion report and will be shared with the Executing Agency and other development partners.

V – LEGAL INSTRUMENTS AND AUTHORITY

5.1. Legal Instrument

5.1.1 ADF Loan to the Government of the Republic of Uganda.

5.2. Conditions Associated with Bank’s Intervention

5.2.1 The Loan shall be subject to the following conditions:

A. Conditions Precedent to the Entry into Force

The entry into force of the Loan Agreement shall be subject to the fulfilment by the Borrower of the provisions of Section 12.01 of the General Conditions.

B. Conditions Precedent to First Disbursement

The obligations of the Fund to make the first disbursement of the Loan shall be conditional upon the entry into force of the Agreement in accordance with paragraph (A) above and the fulfilment by the Borrower of the following conditions:

The Borrower shall provide evidence, in form and substance satisfactory to the Fund that:

- i) UNRA has approved all sections of the Project and the Project Works Schedule;
- ii) the legal right-of-way in respect of land required for the first section of each of the Nyakahita – Kazo section of the Project road (hereinafter called “Lot 1”) and the Kazo-Kamwenge section of the Project road (hereinafter called “Lot 2”), in each case, as determined in accordance with the approved Project Works Schedule referred to in paragraph (i) above, has been acquired in accordance with the Resettlement Action Plan (the “RAP”); and

- iii) prior to the commencement of construction works, all project-affected persons in the sections of Lot 1 and Lot 2 referred to in paragraph (ii) above have been fully and adequately compensated in accordance with the RAP.

C. Conditions Precedent to Subsequent Disbursements

The obligation of the Fund to make further disbursements of the Loan shall be conditional upon the fulfilment by the Borrower of the following conditions:

The Borrower shall provide evidence, in form and substance satisfactory to the Fund, that:

- i) prior to the commencement of activities for each subsequent section of project road, the legal right-of-way in respect of the land required for the relevant sections of Lot 1 and Lot 2 has been acquired in accordance with the RAP;
- ii) prior to the commencement of activities for each subsequent section of Project road, all relevant project-affected persons have been fully and adequately compensated in accordance with the RAP; and
- iii) an adequate budgetary appropriation for compensation of project-affected persons has been made during the relevant budgetary year to facilitate the implementation of the RAP.

D. Undertakings of the Borrower

Under this Agreement, the Borrower undertakes:

- i) that the Road Fund, which has already been established by the Borrower, shall be fully operational as an autonomous source of financing for the maintenance of the road sub-sector by January 2010;
- ii) to carry out traffic counts on the Project road and on the national road network on a bi-annual basis during the execution and after the completion of the Project; and
- iii) to provide to the Fund, no later than the 31st of January each year, an annual report evidencing the axle load control measures on the national road network.

5.3. Compliance with Bank Policies

This project complies with all applicable Bank policies and does not require any exception from Bank policies.

VI – RECOMMENDATION

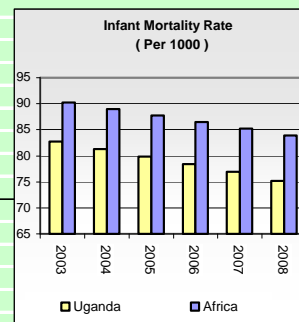
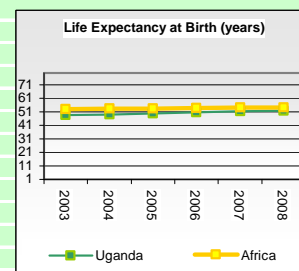
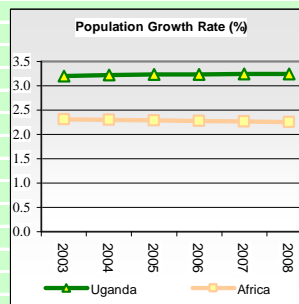
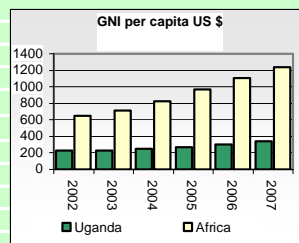
Management recommends that the Board of Directors approve the proposed loan of UA 80.0 million for the Road Sector Support Project 3 to the Government of Uganda for the purposes and subject to the conditions stipulated in this report.

APPENDIX I

Uganda

COMPARATIVE SOCIO-ECONOMIC INDICATORS

	Year	Uganda	Africa	Developing Countries	Developed Countries
Basic Indicators					
Area ('000 Km²)		241	30 323	80 976	54 658
Total Population (millions)	2008	31.9	985.7	5 523.4	1 226.3
Urban Population (% of Total)	2008	13.1	39.2	44.0	74.4
Population Density (per Km²)	2008	132.4	32.5	23.0	49.6
GNI per Capita (US \$)	2007	340	1 226	2 405	38 579
Labor Force Participation - Total (%)	2005	45.6	42.3	45.6	54.6
Labor Force Participation - Female (%)	2005	47.6	41.1	39.7	44.9
Gender -Related Development Index Value	2006	0.489	0.482	0.694	0.911
Human Develop. Index (Rank among 174 countries)	2006	156	n.a.	n.a.	n.a.
Popul. Living Below \$ 1 a Day (% of Population)	2000	35.0	34.3	25.0	...
Demographic Indicators					
Population Growth Rate - Total (%)	2008	3.2	2.3	0.3	1.2
Population Growth Rate - Urban (%)	2008	4.4	3.3	2.5	0.5
Population < 15 years (%)	2008	49.0	40.9	16.6	27.4
Population >= 65 years (%)	2008	2.4	3.4	16.7	8.0
Dependency Ratio (%)	2008	105.8	79.5	47.7	53.9
Sex Ratio (per 100 female)	2008	100.2	99.3	94.3	101.5
Female Population 15-49 years (% of total population)	2008	21.6	24.2	24.3	25.8
Life Expectancy at Birth - Total (years)	2008	52.1	54.5	76.7	67.5
Life Expectancy at Birth - Female (years)	2008	52.8	55.6	67.5	80.3
Crude Birth Rate (per 1,000)	2008	46.2	35.7	11.0	20.1
Crude Death Rate (per 1,000)	2008	13.0	13.0	10.4	8.6
Infant Mortality Rate (per 1,000)	2008	75.2	83.9	7.1	48.5
Child Mortality Rate (per 1,000)	2008	124.2	137.4	8.8	72.3
Total Fertility Rate (per woman)	2008	6.4	4.6	1.6	2.5
Maternal Mortality Rate (per 100,000)	2006	435.0	683.0	450	9
Women Using Contraception (%)	2006	23.7	29.7	61.0	75.0
Health & Nutrition Indicators					
Physicians (per 100,000 people)	2004	7.9	39.6	78.0	287.0
Nurses (per 100,000 people)	2004	57.9	120.4	98.0	782.0
Births attended by Trained Health Personnel (%)	2006	42.1	51.2	59.0	99.0
Access to Safe Water (% of Population)	2006	64.0	64.3	84.0	100.0
Access to Health Services (% of Population)*	2004	49.0	61.7	80.0	100.0
Access to Sanitation (% of Population)	2006	33.0	37.6	53.0	100.0
Percent. of Adults (aged 15-49) Living with HIV/AIDS	2007	5.4	4.5	1.3	0.3
Incidence of Tuberculosis (per 100,000)	2006	355.0	315.8	275.0	19.0
Child Immunization Against Tuberculosis (%)	2007	89.0	83.0	89.0	99.0
Child Immunization Against Measles (%)	2007	86.0	83.1	81.0	93.0
Underweight Children (% of children under 5 years)	2006	15.9	25.2	27.0	0.1
Daily Calorie Supply per Capita	2004	2 348	2 436	2 675	3 285
Public Expenditure on Health (as % of GDP)	2005	2.0	2.4	1.8	6.3
Education Indicators					
Gross Enrolment Ratio (%)					
Primary School - Total	2006	116.7	99.6	106.0	101.0
Primary School - Female	2006	117.2	92.1	103.0	101.0
Secondary School - Total	2006	22.3	43.5	60.0	101.5
Secondary School - Female	2006	19.9	40.8	58.0	101.0
Primary School Female Teaching Staff (% of Total)	2006	38.7	47.5	51.0	82.0
Adult Illiteracy Rate - Total (%)	2007	26.4	38.0	21.0	1.0
Adult Illiteracy Rate - Male (%)	2007	18.2	29.0	15.0	1.0
Adult Illiteracy Rate - Female (%)	2007	34.5	47.0	27.0	1.0
Percentage of GDP Spent on Education	2006	5.2	4.5	3.9	5.9
Environmental Indicators					
Land Use (Arable Land as % of Total Land Area)	2005-08	25.3	6.0	9.9	11.6
Annual Rate of Deforestation (%)	2000-08	2.0	0.7	0.4	-0.2
Annual Rate of Reforestation (%)	2000-08	...	10.9
Per Capita CO2 Emissions (metric tons)	2005-08	0.1	1.0	1.9	12.3



Sources : ADB Statistics Department Databases; World Bank: World Development Indicators;

last update : March 2009

UNAIDS; UNSD; WHO, UNICEF, WRI, UNDP; Country Reports

Note : n.a. : Not Applicable ; ... : Data Not Available;

Appendix II: Table of ADB's Portfolio in Uganda – June 2009

Serial No.	Project Description	Approval Date	Effectiveness Date	Approved Amount UA million			Net Commitments (UA million)	Amount Disbursed (UA million)	Disbursed (%)	Deadline for Last Disbursement
				ADB	ADF Loan	non Grant				
A. AGRICULTURE										
1	Northwest Smallholder Agricultural Development Project	15/12/99	18/05/01	nil	17.60	nil	17.60	17.33	98.5%	30/06/09
2	Area-based Agricultural Modernization Programme	13/09/00	14/11/03	nil	9.67	nil	9.67	9.05	93.6%	31/03/09
3	Fisheries Development Project	12/06/02	9/05/03	nil	22.00	nil	22.00	12.53	57.0%	31/01/10
4	National Livestock Productivity Improvement Project	04/12/02	12/04/04	nil	23.74	2.80	26.54	21.04	79.3%	31/12/09
5	Farm Income Enhancement & Forestry Conservation project	29/09/04	17/05/06	nil	31.57	9.85	41.42	11.53	27.8%	31/12/10
6	Community Agricultural Infrastructure Improvement Programme- Project I	31/01/07	21/09/07	nil	30.00	nil	30.00	3.34	11.1%	31/12/13
7	Community Agricultural Infrastructure Improvement Programme- Project II	17/09/08	non	nil	45.00	nil	45.00	nil	nil	n/a
8	Urban Markets Project	26/03/2009	non	nil	38.00	nil	38.00	nil	nil	n/a
Agriculture - Sub Total							230.23	74.82	32.5%	
B. TRANSPORT										
9	Road Sector Support Project 1 (Kabale Kisoro Bunagana)	27/04/05	15/09/05	nil	27.01	1.49	28.50	24.99	87.7%	31/12/10
10	Road Sector Support Project 2 (Fort portal Bundibugyo)	17/2/07	29/07/08	nil	56.65	1.35	58.00	nil	0.0%	31/12/13
11	Road Sector Support Project 1 supplementary Loan	20/12/2006	18/02/2008	nil	32.99	nil	32.99	nil	0.0%	31/12/10
Transport - Sub Total							119.49	24.99	20.9%	
C. WATER & SANITATION										
12	Small Towns Water Supply & Sanitation Project	24/11/04	13/06/05		12.26	6.15	18.41	17.27	93.8%	30/06/09
13	Kampala Water Sanitation Project	16/12/2008	non		35.00	nil	35.00	nil	nil	n/a
14	Rural Water Supply & Sanitation Programme	19/12/05	9/05/06			40.00	40.00	40.00	100.0%	31/12/10
Water and Sanitation - Sub total							93.41	57.27	61.3%	
D. SOCIAL										
15	Rural Microfinance Support Project	24/11/99	23/02/01	nil	13.10	1.84	14.94	14.87	99.5%	30/04/08
16	Support to the Health Sector Strategic Plan II	08/11/2006	04/06/07	nil	20.00	nil	20.00	5.44	27.2%	31/12/12
17	Support to Post Primary Education and Training Project (Education IV)	25/11/08	non		52.00	nil	52.00	nil	nil	n/a
18	Support to Post Primary Education and Training Project (Education III)	19/12/05	25/04/06			20.00	20.00	8.77	43.9%	31/12/11
Social - Sub Total							106.94	29.08	27.2%	
E. MULTI SECTOR										
19	Institutional Support Project for Good Governance	17/11/04	14/03/05			9.00	9.00	6.72	74.7%	31/12/08
Multi Sector - Sub total							9.00	6.72	74.7%	
F. INDUSTRY										
20	Mineral Resources Management & Capacity Building	29/09/04	18/01/05			5.35	5.35	2.30	43.0%	31/12/10
Industry - Sub total							5.35	2.30	43.0%	
G. ENERGY										
21	Bujagali Transmission Interconnection Project	26/06/07	non		19.21	nil	19.21	3.48	18.1%	23/04/08
22	Mbarara-Nkenda/Tororo-Lira Transmission Lines Project	15/12/08	non		52.50	nil	52.50	nil	nil	n/a
GRAND TOTAL FOR PUBLIC SECTOR OPERATIONS							636.13	195.18	30.7%	
F. MULTI NATIONAL PROJECT										
23	Lakes Edward and Albert Fisheries Pilot Project	22/10/03	04/03/04		1.65		1.65	1.63	98.8%	31/12/08
24	Creation of Sustainable Tsetse and Trypanosomiasis Free Areas	08/12/04	30/12/05		6.55	0.24	6.79	0.63	9.3%	31/12/11
Multi National Projects- Subtotal							8.44	2.26	0.27	
H. PRIVATE SECTOR OPERATION										
25	Bujagali Hydro Power Project	29/06/07	21/12/2007	72.17	nil	nil	72.17	22.87	31.7%	n/a
26	Buseruka Hydropower Project	29/07/08	non	5.84	nil	nil	5.84	nil	nil	n/a
Private Sector Operation - subtotal							78.01	22.87	29.32	
GRAND TOTAL INCLUDING MULTI NATIONAL AND PRIVATE SECTOR PROJECTS							722.58	220.31	30.49	

* Please note that payment from No.10 supplementary loan of RSP1 will start once the main loan amount (no.9) is utilized. Procurement for RSP2 is under evaluation and contract negotiation.

Appendix III: Similar Projects Financed by the Bank and Other DPs in Uganda- June 2009

Project	Financier	Amount Million USD	Supervision Ratings	
			Implementation Progress	Development Objectives
Rehabilitation of Jinja -Bugiri road	EU	104	Progress is at 96% and completion is expected by September 2009	To facilitate social and economic development by improving regional trade and promote regional and sub -regional integration. Project will improve transport conditions, shorten travel times, reduce vehicle operating costs and improve road safety.
Rehabilitation of Masaka-Mbarara road	EU	120	Progress is estimated at 13 % and completion is scheduled by end of 2011	To improve international and domestic trade, to promote international and sub-regional integration, and to achieve goals of Poverty Eradication Action Plan
Construction of Kampala Northern Bypass	EU	68.3	Progress is at 92% and completion is expected by September 2009.	To improve international and domestic trade, to promote international and sub-regional integration, and to relieve congestion in Kampala city centre.
Rehabilitation of Mbarara-Katuna road	EU	159	Project has been approved by EDF committee and tendering foreseen for September 2009.	To improve international and domestic trade, to promote international and sub-regional integration, and to achieve goals of Poverty Eradication Action Plan
Upgrading of Soroti-Dokolo road	IDA	38.60	72% of the project was completed by the end of April 2009.	Improving access to rural and economically productive areas and building a sustainable road planning, design and program management, and road safety management.
Upgrading of Dokolo-Lira road	IDA	44.50	43% of the road works were completed by the end of April 2009.	Improving access to rural and economically productive areas and building a sustainable road planning, design and program management, and road safety management.
Upgrading of Kampala-Gayaza-Zirobwe road	IDA	39.50	17% of the road works were completed by the end of April 2009.	Improving access to rural and economically productive areas and building a sustainable road planning, design and program management, and road safety management.
Upgrading of Matugga-Semuto-Kapeeka road	IDA	22.0	By the end of April Mobilisation was almost complete & the contractor commenced the works.	Improving access to rural and economically productive areas
Upgrading of Vurra-Arua, Koboko-Oraba road	IDA	90	Project is at detailed design stage. Implementation is expected by December 2009	To improve international and domestic trade and promote regional and sub-regional integration.
Upgrading of Gulu-Atiak-Bibia/Nimule road	IDA	100	Project is at detailed design stage. Implementation is expected by December 2009	To improve international and domestic trade and promote regional and sub-regional integration.
Upgrading of Kabale-Kisoro-Bunagana	ADF	92	Progress by end of April 2009 was 36%.	To reduce transport costs and travel time between Kabale & Kisoro districts, promote regional integration with Democratic Republic of Congo (DRC) and Rwanda and to prepare road projects to enhance accessibility in the South-western region of Uganda
Upgrading of Fort Portal-Bundibugyo-Lamia road	ADF	87	Works contract is expected to be awarded in August 2009 and commencement by September 2009.	To improve the road transport service levels between Kabarole and Bundibugyo districts and by so doing, provide access by the majority of the rural people to socio-economic facilities and integration to the rest of the country; and also support regional integration and cross border trade with DRC.

Appendix IV: Project Map RSSP3 : Nyakahita–Ibanda–Kamwenge Road

