Report Number : ICRR12993

IEG ICR Review
Independent Evaluation Group

1. Project Data:		Date Posted : 12/11/2008		
PROJ ID :	P049543		Appraisal	Actual
Project Name :	Road Sector Institutional Support TA	Project Costs (US$M):	33.00	33.97
Country:	Uganda	Loan/Credit (US$M):	30.00	29.80
Sector Board :	TR	Cofinancing (US$M):		
Sector(s):	Central government administration (62%) Roads and highways (38%)			
Theme(s):	Infrastructure services for private sector development (50% - P) Rural markets (25% - S) Administrative and civil service reform (25% - S)			
L/C Number:	C2987			
		Board Approval Date :		09/09/1997
Partners involved :		Closing Date :	12/31/2000	12/31/2007
Evaluator:	Panel Reviewer :	Group Manager :	Group:	
Ramachandra Jammi	Roy Gilbert	Monika Huppi	IEGSG	

2. Project Objectives and Components:

a. Objectives:

1. Strengthen the government's road sector management capability through spinning off of the road administration and execution of activities under the Ministry of Water and Transport (MOWT), and the creation of an autonomous performance-based Road Agency;
2. Improve transport sector policy and management, through the redefinition of the role of MOWT towards a regulatory and planning body; and
3. Prepare physical infrastructure components to be included in a future road sector program which would contribute to economic growth and poverty alleviation and to improved access to social services .

b.Were the project objectives/key associated outcome targets revised during implementation?

No

c. Components (or Key Conditions in the case of DPLs, as appropriate):

Part A: Institutional Developmental and Capacity Building (*At Appraisal: US$14.60 million (M); As Revised in 2004: US$20.55M; Actual: US$21.58M*) : Strengthening the borrower's road sector management capability through provision of technical advisory services by **(i)** Staffing the Road Agency Formation Unit (RAFU) as the nucleus for the proposed Road Agency; and **(ii)** Establishing and staffing a new Environment Liaison Unit in MOWT .
Part B: Sector Policy and Management Studies (*At Appraisal: US$2.20M; Revised: US$2.44M; Actual: US$2.33M*):

Improvement of the Borrower's road sector policy and management through provision of technical advisory services for studies on: **(i)** an autonomous Road Agency; **(ii)** road safety audit and regulations; **(iii)** road network management policy; and **(iv)** development of a management information system.
Part C: Infrastructure Preparation Studies (*At Appraisal: US$12.20M; Revised: US$7.59M; Actual: US$7.98M*): Preparation of the physical infrastructure components of a proposed multi-year roads rehabilitation and improvement program through: **(i)** the carrying out of feasibility studies and if feasible, the detailed engineering design and environmental assessment of about 680 km of main roads; and **(ii)** (a) preparation of a national feeder road study and (b) detailed engineering designs for about 500 km of feeder roads.
Part D: External Auditing (*At Appraisal: US$0.10M; Revised: US$0.12M; US$Actual: US$0.04M*): Provision of technical advisory services for the auditing of accounts under the projects.

In 1999, **Part E** (*At Appraisal: n.a.; Revised: US$2.30M; Actual: US$2.04M*) was added for procuring office equipment, computers and vehicles for RAFU.
Also in 1999, Part A was revised to allow recruitment of individual consultants for line positions within RAFU instead of being staffed only by international consultants.

In 2001, the Development Credit Agreement (DCA) was amended to allow for the following changes: (i) scope of roads under detailed engineering design and environmental assessment increased from 680 km to 730 km; (ii) scope of engineering design for the 10 years district road investment program from 500 km to 1000 km; and (iii) feasibility study for upgrading 300 km of district roads from gravel to paved (bituminous).

d. Comments on Project Cost, Financing, Borrower Contribution, and Dates:

Funding reallocation among the components of institutional development, capacity building and equipment was done three times: on May 5, 1999; October 4, 2001; and on November 2, 2004. The aim was to ensure that the revised components were adequately funded.
Project effectiveness was late by 3 months mainly due the delay in recruiting a Director for RAFU. The original project closing date was December 31, 2000. The closing date was extended four times as achieving the critical development objective of establishing the national road agency proved elusive: (i) on May 5, 2000, for one year until December 31, 2001; this was due to (ii) on October 4, 2001, for two years until December 31, 2003; (iii) on March 10, 2003, for a further two years until December 31, 2005; and (iv) finally, on December 23, 2005, for a period of another two years until December 31, 2007. This meant that the actual closing date was seven years behind the planned completion date.

3. Relevance of Objectives & Design:

The project was designed against the background of the broad-based economic and institutional reform effort in Uganda that began in 1997. The project objectives were clear and relevant to the country's overall development priorities and the specific circumstances prevailing in the road sector as laid out in the Bank CASs (1997, 2000 and 2005) and the Government's 10-Year (1996-2006) Road Sector Plan. These priorities included parastatal reforms in the transport sector, improving access to infrastructure to facilitate business development and promote economic growth, lowering transport costs, and improving access to social services, all of which would generally contribute to poverty reduction. Relevance of the project objectives is rated *high*.

The project was designed to spin off road management and execution activities to a new Road Agency from the Ministry of Transport and Water (MOWT) while reinforcing the latter's planning and regulatory functions. Recognizing that the new Road Agency would take time to gain legislative endorsement, the project made interim arrangements in the form of a Road Agency Formation Unit (RAFU). RAFU would be the nucleus and precursor to the proposed autonomous Road Agency which would be established within three years of project effectiveness after the necessary legislation was passed. The project would also lay the groundwork for a four-part Adjustable Program Loan (APL) for the Road Development Program (RDP: 1997-2006) with an estimated cost of $1.5 billion, beginning with RDP-Phase 1 (1997-2001).

The strategy of separating the management and executing activities for the road sector from planning and regulatory functions was in line with international and regional practice. The project design was also underpinned by an initial road sector study that examined the statutory, legal, regulatory, and funding arrangements for organizing road sector management. The QAG review in 1998 rated quality-at-entry as Moderately Satisfactory. However, in retrospect, the risk of delay in legislation for the Road Agency due to insufficient political consensus was not adequately taken into account. In this respect, the planned implementation period of three and a half years was too short. The inclusion of a team member with institutional expertise may have been useful in this respect, though it may not have helped to predict the delay in implementation of the project. Relevance of project design is rated *substantial*, and overall project relevance is rated *substantial*.

4. Achievement of Objectives (Efficacy):

Strengthen the government's road sector management capability through spinning off of the road administration and execution of activities under MOWT, and the creation of an autonomous performance -based Road Agency . (*Substantially Achieved* **)**
This objective was achieved -- though with considerable delay --, through the transition from RAFU to the Uganda National Road Agency (UNRA), which became effective on July 1, 2008 (This was anticipated in the ICR which was dated June 25, 2008, and confirmed through the Task Team Leader's email dated Sept 08, 2008). UNRA takes over the road execution and administration activities of the MOWT . Road management capability is reported to have improved through the RAFU, in terms of higher quality of road treatments and fewer contract cost overruns . The whole process took over ten years against the planned three and a half years . In terms of its content, the UNRA bill is considered best practice by road management specialists .

Improve transport sector policy and management, through the redefinition of the role of MOWT towards a regulatory and planning body . (*Modestly Achieved*)
The project financed several studies including those on the road agency, road network management and financing, road safety audit, motor vehicles inspection, in -house development of management information system, and the use of local lime in road construction. Many of the recommendations resulting from these studies are said to be implemented though relatively few details are given in the ICR . Importantly, the recommendations of the road management and financing study has helped in formulating a Road Fund (RF) bill that was approved by the parliament on June 19, 2008. It is expected that the RF will be fully operational by July 1, 2009. The axle load regulation and control policy has been reviewed and is being implemented by MOWT . Between 1998 and 2007 several workshops were held with stakeholders to review various study reports and recommendations; and to generally review performance in the road sector. While the studies and workshops appear to have contributed to clarifying sector policy in several respects, there are no specific outcome indicators or evidence to assess improved policy and management outcomes.

Prepare physical infrastructure components to be included in a future road sector program which would contribute to economic growth and poverty alleviation and to improved access to social services .(*Substantially Achieved*)
Feasibility studies and the engineering designs were prepared for upgrading /rehabilitation of a total length of 795 km against a revised target of 1000 km. On the basis of this work, the upgrading of 383 km and rehabilitation/strengthening of 162 km of roads have been completed under the follow-on projects RDP-P1 and RDP-P2. The rehabilitation and upgrading of the remaining length of roads will be completed under the ongoing RDP-P3 and the RDP-P4, which is under preparation. Based on a pre-investment study for the Nile Bridge at Jinja which is in critical condition, it was found that traffic levels may not justify a Public Private Partnership (PPP), and Japan International Cooperation Agency (JICA) has come forward to finance detailed design and possibly also repairs and construction. Regarding feeder roads, detailed engineering designs for 1,000 km under the ten year district road investment program were completed, which exceeds the planned 500 km.

5. Efficiency (not applicable to DPLs):

The project did not include the implementation of civil works . Therefore, conventional quantitative economic analysis which is normally carried out for investment projects did not apply . However, given that the project was completed seven years after the original closing date (mainly due to delays in drafting legislation, developing political consensus, changes in government, and extended passage of the UNRA bill through the cabinet and parliament), the efficiency of the project is rated low.

a. If available, enter the Economic Rate of Return (ERR)/Financial Rate of Return (FRR) at appraisal and the re-estimated value at evaluation :

	Rate Available?	Point Value	Coverage/Scope*
Appraisal		%	%
ICR estimate		%	%

* Refers to percent of total project cost for which ERR/FRR was calculated.

6. Outcome:

The UNRA was established as an autonomous road agency and has taken over the responsibilities for the management of national roads from MOWT. However, the creation of UNRA was marked by inordinate delays despite the continuity and ownership of the Government that is claimed in the ICR, resulting in a low level of efficiency as mentioned in Section 5 above. It is too early to judge the outcome of the UNRA's functioning though it has a favorable precedent in the performance of its precursor, RAFU, which has improved the quality of output and

shortened the time taken for implementing major civil works by approximately 50 percent compared to the time taken previously by MOWT.
There is no information provided on the involvement of the private sector in new construction & rehabilitation works and maintenance (for which targets at appraisal were 100 percent and 85 percent respectively). The project has successfully prepared the design and bidding documents for the follow -on projects RDP-Phase 1, 2, 3 and 4.
The Environment Liaison Unit (ELU) improved coordination between national environmental sector policy and implementation of road programs.

Based on Substantial Relevance, Substantial Efficacy, and taking into account the low level of efficiency due the long delay in project implementation, overall outcome is rated Moderately Satisfactory .

a. Outcome Rating : Moderately Satisfactory

7. Rationale for Risk to Development Outcome Rating:

The main risks to outcomes relate to the ability of UNRA to retain qualified and experienced staff and adequate funding for maintenance. As of now, UNRA staff (including former RAFU staff) are remunerated relatively well and provision has been made for their salaries in the general budget for 2008/2009. The process of setting up of a Road Fund has begun and after it is provided with appropriate sources of finance, it is likely that greater resources will be available for maintenance. However, it needs to be kept in mind that the UNRA is new and that the Road Fund effort is relatively recent and may well be subject to delays like those experienced during the project . It is not clear as to what extent capacity has been built in to which capacity has been built within MOWT to play its planning and regulatory role to improve transport policy and management.

a. Risk to Development Outcome Rating : Significant

8. Assessment of Bank Performance:

The Bank appropriately recognized the need for technical assistance for Uganda's transport sector, in devising a TA project to build adequate institutional mechanisms and capacity to handle the Government 's large US$1.5 billion road sector investment program (1997-2006). QAG's quality at entry assessment noted that the project's concepts, objectives and approach were “satisfactory”, but that institutional capacity analysis and readiness for implementation was “marginally satisfactory”. The goal of spinning off the management and execution functions from MOWT to a Road Agency was in keeping with accepted practice for separating planning and implementation, developing capacity and improving efficiency. Given that it would take time to pass legislation for creating a Road Agency the chosen option of creating RAFU as an interim arrangement appears to be pragmatic in relation to the alternatives of waiting till a Road Agency was created, or retaining the functions within MOWT. The time taken to transition from RAFU to a Road Agency was greatly underestimated at 3.5 years, when the process actually took 10 years. However, the uncertainties in predicting the delay are recognized, as mentioned in Section 3. On balance, quality at entry is rated *Substantial*.

The Bank supervision team had a good skills mix and acted appropriately in persisting with the agreed agenda of institutional reform despite delays on the part of the Government. The Bank team also provided guidance on the latest experiences with the creation of a Road Fund, strengthening contract management, and enhancing donor collaboration in the road sector. The quality of the financial management reviews was found to be satisfactory and consistent with the Bank guidelines. However, the Bank’s supervision teams could have been more realistic in assigning the ratings for development objectives and implementation performance in the ISR and should have been more pro-active in addressing the causes of these delays. During implementation, the project was twice subjected to a QAG review: (i) October 12, 2004, which revisited issues related to quality at entry, noting that the project was not ready for implementation at approval despite nine months of project preparation; that project effectiveness took another twelve months; and that institutional capacity analysis was not adequate and gave an overall assessment of "Moderately Satisfactory"; and (ii) September 22, 2006, with an overall "satisfactory" rating. QAG also commented that some of the problems encountered during implementation could have been easily identified through a proper institutional analysis, and co -opting an institutional specialist may have helped it his regard. Bank Supervision is rated *Substantial*.

a. Ensuring Quality -at-Entry: Moderately Satisfactory

b. Quality of Supervision : Satisfactory

c. Overall Bank Performance : Moderately Satisfactory

9. Assessment of Borrower Performance:

Government performance was uneven during implementation and was the main reason for the nearly 7-year delay in project completion. Much time was lost between the initial decision in 2001 to develop RAFU as an "Executive Agency" with limited autonomy, before abandoning the idea and allowing MOWT in 2004 to formulate legislation for UNRA. It took another 2-3 years for cabinet and parliament approval. Government commitment to RAFU continued after project completion through financing its operational costs. In addition, government has shown a strong commitment to move the institutional reforms further by approving legislation for setting up a Road Fund. On the whole, though the Government was largely responsible for the extraordinary delay in project implementation, considering that the main objective of creating a road agency was pursued till the end, Government performance is rated *Moderately Unsatisfactory*.

The implementing agency RAFU initially had limited procurement and contract management capacity. Subsequently, the formation of teams comprising of foreign and national professionals helped to considerably improve the situation and build capacity. Monitoring and reporting capacity was weak throughout. There was delay and shortfall in the beginning in recruiting staff to RAFU because of unclear terms of appointment and continuity. This situation was resolved somewhat through clarifying the conditions of employment and by training 13 engineers to obtain the required registration status. Towards the end of the project RAFU broadly helped improve road management capacity. Works carried out under RAFU management were held to a higher standard due to more rigorous supervision and closer adherence to contractual requirements. Time overruns in project execution of contracts were substantially decreased compared with the completion of works under the management of the MOWT. A cost-benefit analysis for road projects managed by RAFU yielded internal rates of ranging between 14% and 53%. On balance, especially considering the initial delays and poor M&E, implementing agency performance is rated *Moderately Satisfactory.*

a. Government Performance : Moderately Unsatisfactory

b. Implementing Agency Performance : Moderately Satisfactory

c. Overall Borrower Performance : Moderately Unsatisfactory

10. M&E Design, Implementation, & Utilization:

Design: The M&E framework was initially formulated in terms of end results or outputs but did not adequately provide for intermediate benchmarks to track capacity building and institutional developments, which may have enabled adjustments as the need arose. There was an attempt to improve the indicators during project implementation but they were in the nature of intermediate outcome indicators or were not easily measurable (improved management of work contracts; redefine role of MOWT; rehabilitate infrastructure; improve environment protection; improve efficiency through involvement of private sector in maintenance). QSA6 pointed out that the four project extensions were not subjected to easily monitored benchmarks; and the results framework should have been revised and updated at the time of each credit extension.

Implementation: RAFU had a monitoring officer but no comprehensive evaluations were carried out to assess the performance of the organization in terms of procurement delivery, contractor payments and the performance of contractors and consultants. RAFU prepared progress reports on individual project activities, but paid little attention to produce more comprehensive and consolidated progress reports for the information of all stakeholders interested in the road sector.

Utilization: Utilization of the M&E system was limited to the performance indicators that tracked project activities. However the long decision-making process that require the approval of the contracts committee, lack of follow up on the agreed performance indicators, incomplete design of the monitoring and evaluation framework have contributed to implementation delays of some project activities.

a. M&E Quality Rating : Negligible

11. Other Issues (Safeguards, Fiduciary, Unintended Positive and Negative Impacts):

Safeguards: At appraisal the project was considered as a Category "C" project with no environment risks as the project included no physical components. An Environment Liaison Unit (ELU) was established in MOWT to monitor the activities of not only road projects but all environmental issues relating to infrastructure projects under the jurisdiction of the Ministry. ELU was formed in April 2001 and now it has three environmental specialists. ELU works in collaboration with the National Environmental Management Authority (NEMA) and follows the recommendations of the road sector environmental policy and management study report completed earlier in the project. ELU ensures that all road projects have NEMA approval prior to start of their implementation .

Fiduciary Issues: There was a separate Finance and Administration Division in RAFU, that was responsible for all aspects of financial management. A well documented Financial Management Manual was developed. Effective July 2001, the accounting system was fully computerized based on a double entry accounting system . The ratings of the Financial Management (FM) in the Implementation Status Reports (ISRs) were satisfactory. The quality of the financial management reports in general was good. Satisfactory audit reports were received on a timely basis, which were reviewed by the Bank and the comments sent to the Borrower. FM issues were identified and appropriate recommendations made. The absence of an internal audit unit had been a theme for a long time and it is now being established under UNRA Agency

12. Ratings:	ICR	IEG Review	Reason for Disagreement /Comments
Outcome:	Moderately Satisfactory	Moderately Satisfactory	
Risk to Development Outcome:	Moderate	Significant	UNRA is new and untested; Road Fund is yet to be operational; improvement in MOWT capacity is unclear.
Bank Performance :	Moderately Satisfactory	Moderately Satisfactory	
Borrower Performance :	Moderately Satisfactory	Moderately Unsatisfactory	Extraordinary delay in legislation for UNRA. Initial delays in implementation and poor M&E.
Quality of ICR :		Satisfactory	

NOTES:
- When insufficient information is provided by the Bank for IEG to arrive at a clear rating, IEG will downgrade the relevant ratings as warranted beginning July 1, 2006.
- The "Reason for Disagreement/Comments" column could cross-reference other sections of the ICR Review, as appropriate .

13. Lessons:

- In undertaking major institutional reforms that introduce new work content and processes, it is essential to take into account the existing level of capacity and to adequately account for it through additional training or technical assistance through qualified and experienced consultants .
- The time that may elapse in arriving at political and intra-governmental consensus should be carefully evaluated in light of similar experiences. This should be factored into time estimates for a project so that unrealistic expectations are not set up.
- When inordinate delays are experienced in achieving an overarching and key objective, the Bank should give serious consideration to restructuring a project.
- Interim arrangements should be designed so as not to create disincentives for moving towards full-fledged institutional arrangements . In this project, the creation of RAFU in some respects reduced the sense of urgency for moving towards UNRA as a full-fledged road agency.

14. Assessment Recommended? ● Yes ○ No

Why? It would be instructive to follow up UNRA's functioning and impact as well as progress on setting up the Road Fund.

15. Comments on Quality of ICR:

The ICR is written in a clear and a fairly objective manner, and provides detailed information on the project experience.

a.Quality of ICR Rating : Satisfactory