Updated Project Information Document (PID)

Project Name: UGANDA - THIRD PHASE OF THE ROAD DEVELOPMENT PROGRAM
Region: Africa Regional Office
Sector: General transportation sector (50%); Roads and highways (50%)
Theme: Rural services and infrastructure (P); Access to urban services for the poor (P); Other rural development (S); Other urban development (S)
Project: P074079
Borrower(s): THE REPUBLIC OF UGANDA
Implementing Agency(ies): MINISTRY OF WORKS, HOUSING AND COMMUNICATIONS/RAFU

Ministry of Works, Housing and Communications (MOWHC)
Address: P.O. Box 10, Entebbe, Uganda
Contact Person: Permanent Secretary
Tel: 256-41-32010/9/256-41-232814 Fax: 256-41320135 Email: Rafu@infocom.co.ug

Road Agency Formation Unit (RAFU)
Address: P.O. Box 28487, Kampala, Uganda
Contact Person: Director
Tel: 256-41-232814 Fax: 256-41-232807 Email: Rafu@infocom.co.ug

Environment Category: B (Partial Assessment)
Date PID Prepared: March 24, 2004
Auth Appr/Negs Date: February 4, 2004
Bank Approval Date: May 20, 2004

1. Country and Sector Background

The Bank prepared a Transport Sector Memorandum in February 1991 (Report No 9346-UG). The main conclusions and actions recommended were: (i) strengthen investment planning and program prioritization across the various transport modes; (ii) maximize the role of the private sector in transport activities; (iii) undertake a balanced program of road rehabilitation and maintenance; (iv) prepare a strategy for air transport development; (v) undertake a commercial strategy for the Uganda Railways Corporation (URC); and (vi) develop the local construction industry. Many of these recommendations have been followed under the ongoing IDA-financed TRP. In addition, IDA assisted GOU in the preparation of its 1992 Rural District Roads Rehabilitation and Maintenance Strategy document, which formed the basis for Government and donor assisted district road programs included in the TRP.

Implementation of the TRP has laid the groundwork for the subsequent development and implementation of the Program in particular through: (i) selection and prioritization of transport sector investments and recurrent expenditures within the framework of the Government's rolling three-year Transport Sector Investment and Recurrent Expenditure Program (TSIREP); (ii) contracting out of road construction, rehabilitation, and maintenance works for both national and district roads; and (iii) development of a national road maintenance program, with Government
contributions for example rising to US$32 million in FY2000/01 from US$15 million in FY1996/97. In addition TRP helped in: (a) the establishment of a Civil Aviation Authority (CAA) carrying the responsibility for oversight of the aviation sector; and (c) signing of a Performance Contract between URC and the Government. URC is presently in the preparatory privatization phase and both local and foreign companies have shown interest in privatization. The consultant in this process has prepared a due diligence document which is at present in the legal preparation stage. This will then be adapted so as to enable transfer of URC to the private sector.

In the roads sector, areas where progress is continuing are: (i) establishment of the Road Authority to further enhance road sector program management and project implementation capabilities; (ii) exploring alternative financing sources and to ensure sustainable financing for the expanded road program; and (iii) ensuring comprehensive coverage of district road needs and improving the management and financing of district roads maintenance for a sustainable road condition.

A major restructuring effort has also been initiated in the road sector - with support of IDA through RSISTAP. This process has lead to the creation of the Road Agency Formation Unit (RAFU) as a transitional step towards the establishment of an autonomous and commercially oriented Road Authority. This will bring the benefits of commercialization of services providing a comprehensive network management (including maintenance) capability and the ability to recruit professional staff on appropriate terms and conditions. The establishment of RAFU is continuing to show positive results and expected improvements to Government's road project management capabilities have become evident, thus maintaining conditions required for the effective implementation of RDPP3. A related aspect of this reform process is the conversion of the Ministry of Works, Housing and Communications (MOWHC) into an oversight body focusing on policy formulation, regulation, and on multimodal transport and strategic planning.

GOU reiterated its commitment to these reforms in the road sub-sector at the Roads Conference in April 2002 in Kampala. High level assurances were given to stakeholders and development partners of the GOU’s continuing support for constantly increasing expenditures on road maintenance over the medium term covered by the TSIREP and consistent with the Medium Term Expenditure Framework (MTEF). The Government targets to assume full responsibility for all road maintenance by 2007/08 on latest projections. Up to 2002/2003 GOU has assured adequate budgetary resources for road development and maintenance. However, the impact of the expanding road development program on the limited resources base will need to be carefully monitored in view of a cut back in allocations in 2003/2004 which is expected to be carried forward into 2004/2005. More active consideration of sources of financing alternatives to the GOU budget must now be explored. As part of this process and in line with the April 2002 decision to favor performance based maintenance management, GOU has started discussions with the Bank on a pilot performance-based maintenance contracting pilot project in Eastern Uganda for which external funding from IDA will be sought.

GOU has recently completed consultancy studies to review the strategy for the Transport Sector, and prepared in March 2002 a Final Draft White Paper on Sustainable Maintenance of District, Urban and Community Access Roads. Under RSISTAP, two major studies have been established
to (i) upgrade about 300 km of District Roads to National Road Standards, and (ii) establish a Ten Year District Road Investment Program. This has created the necessary background for interventions under the Program and under PRSC4 and subsequent tranches to start to address the underprovision of district road services. The next stage is to undertake a review of the institutional requirements to ensure the timely and effective implementation of district road interventions and to ensure asset preservation.

2. Objectives

The development objective of the Road Development Program, Phase 3 Project (the Project) is to improve access to rural areas and economically productive areas and to progressively continue to build up sustainable road sector planning, design and program management capability including road safety management. The Project comprises: (i) upgrading and strengthening of three high priority national roads, i.e. Kampala-Gayaza-Wobulenzi; Soroti-Dokolo-Lira; and Busega-Mityana; (ii) detailed design of the upgrading of about 300 km of District Roads reclassified to the National Road Standard; (iii) consultancies for feasibility studies of upgrading to bitumen standard about 600 km of priority national roads (iv) rehabilitation/regravelling of the Atiak-Moyo road; (v) construction of a proposed Road Authority headquarters building; (vi) Institutional support to the establishment of the Road Authority, and (vii) the provision of external auditing services. These Project objectives complement the objectives of the Phase 1 and 2 projects in meeting the overall objectives of the Program.

3. Rationale for Bank's Involvement

An important source of value added by Bank support is its comparative worldwide experience in the preparation and implementation of major capital expenditure programs. GOU as well as the donor community active in Uganda has acknowledged and recognized the Bank's leadership role during preparation of the RSDP2. The Bank also benefits from the experience gained in implementing comprehensive road sector development programs in conjunction with institutional reforms in African countries such as Ethiopia, Mozambique, Tanzania and Zambia. Another source of advantage is the Bank's experience in road sector reform in the Region gained over the last ten years through its leadership of the Road Management Initiative (RMI), a donor-funded program under the SubSahara Africa Transport Policy Program (SSATP) to support policy formulation and implementation for road management and financing. This has provided the Bank with the goodwill of beneficiaries and donors in creating a cooperative framework where sector reforms have gradually been shaped, implemented and monitored.

The Bank has responded to the Government's request by flexibly targeting, and quickly delivering, its array of lending instruments in support of a credible assistance strategy, emphasizing sector and institutional reform prior to the commitment of resources to finance physical components. The APL instrument is also providing great flexibility in adapting project design and financing to client needs as they evolve, as evidenced by the redesign of the Phase 2 and 3 project components and the inclusion of NDF-financed components during Phase 2. The Bank's participation thus provides for continuity in the implementation of the long-term national program. In addition, in support of the work carried out by the professional services employed by GOU on the Program, the Bank continues to make critical interventions regarding quality assurance in the procurement and technical fields.
4. Description
Annex 2, Table 1 provides detailed RSDP description and cost and Annex 2, Table 2 the Program description and cost.
Kampala-Gayaza Zirobwe Wobulenzi, Civil Works
Atiak-Moyo, Civil Works
Soroti-Dokolo-Lira, Civil Works
Busega-Mityana, Civil Works
Road Authority Offices, Civil Works
Supervision consultancy services for roads (Kampala, Atiak, Soroti and Busega)
Detailed design of upgrading of 300km from district (gravel) to national (bitumen)
Feasibility and design consultancy services for 600km upgrading of national roads to bitumen
External Auditing Services

5. Financing
Source (Total (US$m))
BORROWER ($25.40)
IDA ($107.60)
Total Project Cost: $133.00

6. Implementation
RAFU under MOWHC will be responsible for the overall implementation of the project - until such time as the road authority is in a position to take over. RAFU has been the implementing agency for four IDA financed projects to date in addition to other donor financed projects.
During project execution RAFU will coordinate project implementation and manage:

(a) procurement, including purchases of goods, works, and consulting services,
(b) project monitoring, reporting and evaluation;
(c) contractual relationships with IDA and other co-financiers; and
(d) financial management and record keeping, accounts and disbursements.

RAFU will ensure efficient coordination among different elements of MOWHC that participate in the project and with other main stakeholders, including, but not limited, to National Environment Management Authority (NEMA), participating Ministries and agencies. RAFU will also constitute the operational link to the IDA and other co-financiers on matters related to the implementation of the project.

The Permanent Secretary (PS), MOWHC, will be the “Accounting Officer” (to be assumed by the Chief Executive Officer of the road authority when established) for the project, assuming the overall responsibility for accounting for the project funds.

The financial management arrangements used for RDPP 3 will be based on those for the other IDA financed projects.

The flow of funds arrangements are as follows:

The following bank accounts will be maintained for the purposes of implementing the project:
- **Special Account**: Denominated in US dollars, disbursements from the IDA Credit will be deposited on this account.
- **Project Account**: This will be denominated in local currency. Counterpart funds and transfers from the Special Account (for payment of transactions in local currency) will be deposited on this account in accordance with project objectives.

These bank accounts shall be opened (at Citibank) by credit effectiveness date. Initial cash flow forecasts upon which the advance disbursement will be made from the IDA Credit should also be prepared by the same date. The account signatories are documented in the FMM.

Funds flow arrangements for the project (through the two bank accounts above) are as follows:-

- IDA will make an initial advance disbursement from the proceeds of the Credit by depositing into a Borrower-operated Special Account (SA) held at a commercial bank (Citibank) and denominated in US Dollars.
- Actual expenditure will be reimbursed through submission of Withdrawal Applications and against Statements of Expenditure which will be approved in accordance with internal control measures applied in RAFU.
- While the activities are implemented in districts, the payments will be done centrally from the RAFU office in Kampala.

Counterpart funds and transfers from the SA (for payment of transactions in local currency) will
be deposited in the Project Account in accordance with project objectives. The Government will allocate and pay over counterpart funds for the project by cheque (warrant of funds). Counterpart funds are allocated through the normal central government budgetary process. Counterpart funds is accessed through compliance with the country specific Financial Regulations.

The project financial management is strengthened by the following salient features:-

• The accounting personnel are adequately qualified and experienced. The project is a follow-on project to RDPP1 and RDPP2 and the staff of this project are being retained. These staff are conversant with the World Bank Financial Management and Disbursement Guidelines;

• RAFU is using Pastel Accounting software which can produce the Financial Monitoring Reports; and

• There is an adequate Financial Management Manual that is already in place.

The project financial management is weakened by the following salient features:

• The project is subject to statutory internal audit regulations through which the internal audit function is provided by the MOWHC. However, the performance of this function is only limited to the pre-audit inspection of the project’s transactions, and no internal audit reviews are undertaken to ensure, for instance, that internal control guidelines are complied with. However, it is envisaged that this shall be sorted out once the road authority is established and an internal audit function can be created.

• RAFU is not a legal entity. This slows down somewhat the efficiency of implementing the projects; and

• There is need to improve on the linkages between physical progress and financial outcomes.
7. Sustainability

The critical factor required for sustainability of the Program and Project benefits is continued Government commitment at the highest level to sector and institutional reform to establish effective management, coordination and implementation, and to assure provision of funds and other resources required for maintaining the road network. By involving, right from the start, key stakeholders, including direct beneficiaries, lawmakers and the civil society, the framework has been set for the sustained mobilization of Government and public support. Another key element for sustainability is that producers and road users, through improved accessibility and infrastructure condition, quickly realize benefits from the reforms. To this end, RAFU will contribute to ensuring the successful and timely implementation of the Project. In addition, Government must strictly adhere to providing the financial requirements for road rehabilitation and maintenance projected under the TSIREP. Government should be prepared to evaluate alternative financing, including private sector participation and road user financing, in light of the expanding investments and future maintenance needs in the road sector.

8. Lessons learned from past operations in the country/sector

Experience from past projects in Uganda indicates that the main risk has been the limited capacity of the implementation agency, in particular the ability of the agency to effectively address problems related to contract management, contract administration, and financial and technical monitoring. There have been substantial delays in the processing and awarding of contracts, leading to substantially higher costs at the initial stages of commencement and to delayed completion. The lessons from the modest success of technical assistance provided to develop the implementation and planning capacity of MOWHC is that major policy changes need to be carried out prior to undertaking major investment programs, and need full commitment by Government to ensure success.

Major institutional and policy changes, including reorganization and institutional strengthening of road administration, as well as changes in the decision-making process, have therefore been undertaken by the Government. These include the creation of RAFU, designed to form the nucleus of a future Ugandan Road Authority, the size and scope of which is presently being formulated by the GOU on the basis of the recently completed Road Agency Study.

Other lessons are that inadequate engineering design and weak documentation resulted in implementation delays and cost overruns. Steps have been taken during the implementation of Program Phases 1 and 2 to ensure the readiness and availability of completed contract documentation before commencement of works. These steps include, inter alia, recruitment by RAFU of the proper skills mix of professional staff with the ability to oversee the work of the various consultants preparing the designs. The latter is in progress under the RSISTAP.
9. Environment Aspects (including any public consultation)

Issues: The steps undertaken for environmental assessment and EMP preparation have included the following: determination of the scope of the EIA; preparation of the TOR for the EIA that capture the importance of preparing and implementing a comprehensive EMP; review of the coverage of the TOR; approval of the TOR by the National Environmental Authority (NEMA); carrying out EIA studies which cover field investigations, information retrieval and consultation with the affected people and local NGOs; comparison of alternatives; assessment of impacts, and proposal of mitigation and monitoring measures. In view of the fact that there were no controversial issues, the approach used for disclosure was mainly through meetings aimed at consultation and public participation. Meetings were also held with officials from relevant Ministries/Agencies.

An environmental assessment was carried out for each road project as part of the detailed feasibility study of each project. The main purpose of the road specific EIAs was: (i) to carry out a comprehensive investigation delineating any environmental impacts of the proposed road works; (ii) to describe and quantify these impacts; (iii) to draw up feasible mitigation measures for minimizing, eliminating, or offsetting any adverse effects; and (iv) to recommend the most appropriate mitigation and/or enhancement measures.

The potential environmental impacts along the proposed road sections include: stripping of top soil and loss of vegetation due to the creation of borrow pits, soil erosion on road cuts and fills and stripped borrow areas, silting of road side ditches and subsequent sedimentation downstream of water bodies, soil contamination and water pollution due to the spillage of toxic materials, slope stability problems and slopes affected by erosion, poor drainage, various forms of temporary land take, and impacts on human settlements including spread of HIV/AIDS and other infectious diseases, and increased levels of accidents. In addition, the potential impact on wildlife along the sections of road passing through forests, wetlands and wilderness were considered, so as to provide adequate controls to protect the animals.

In addition to the road specific EIAs, a Sector Environmental Assessment has been undertaken to review the environmental aspects of the RSDP with respect to (i) the adequacy of the current national system of environmental policies and regulations regarding environmental impact assessment, resettlement policies and strategies, mitigation, monitoring, and management of road network activities; (ii) the capacity of the MOWHC and the National Environmental Management Authority (NEMA) to commission, facilitate and implement future environmental assessments of road projects; (iii) the identification of programs and organization of training courses targeted to appropriate government staff and consultants in environmental assessment techniques and methodologies for road projects, and (iv) an assessment of local consultant capacity and training needs to conduct relevant environmental assessments.

10. List of factual technical documents:
Detailed Design and Tender Documents for all three national roads, while the Busega-Mityana road documentation will be ready by August 2004
11. Contact Point:

    Task Manager
    Stephen J. Brushett
    The World Bank
    1818 H Street, NW
    Washington D.C. 20433
    Telephone: 202-473-7858
    Fax: 202-473-8326

12. For information on other project related documents contact:
    The InfoShop
    The World Bank
    1818 H Street, NW
    Washington, D.C. 20433
    Telephone: (202) 458-5454
    Fax: (202) 522-1500
    Web: http://www.worldbank.org/infoshop

Note: This is information on an evolving project. Certain components may not be necessarily included in the final project.