Report Number : ICRR13097

IEG ICR Review

Independent Evaluation Group

1. Project Data:		Date Posted :	03/25/2009	
PROJ ID :	P002970		Appraisal	Actual
Project Name :	Ug-roads Dev Apl (fy99)	Project Costs (US$M):	: US$119.9	US$121.0
Country:	Uganda	Loan/Credit (US$M):	US$90.1	US$92.30
Sector Board :	TR	Cofinancing (US$M):		
Sector(s):	Roads and highways (97%) Central government administration (3%)			
Theme(s):	Rural services and infrastructure (100% - P)			
L/C Number:	C3267			
		Board Approval Date :		06/29/1999
Partners involved :		Closing Date :	12/31/2004	06/30/2008

Evaluator :	Panel Reviewer :	Group Manager :	Group:
Payton Deeks	Peter Nigel Freeman	Monika Huppi	IEGSG

2. Project Objectives and Components:

a. Objectives:

1. Improve access to rural areas and economically productive areas
2. Gradually build up road sector planning and management capability
The PAD, DCA, and ICR all contain the same Project Objectives .

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: Upgrading of main roads. Upgrading of: (a) about 145 km of the Busunju--Kiboga-Hoima gravel road; and (b) about 130 km of Pakwach-Arua section of the Karuma-Olwiyo-Pakwach-Nebbi-Arua gravel road to paved (bitumen) standard. Cost at appraisal: US$117.0M. Cost at completion: US$116.9M.

Part B: Sector Policy and Management Studies . 1. Carrying out studies: (a) to review the Borrower's strategy for the transport sector; (b) to review and update the Borrower's strategy for rural roads; (c) to assess the environmental policy and management of the road sector; (d) for the establishment of the Road Agency; and (e) to review the institutional arrangements for the management and financing of roads . 2. Carrying out workshops and seminars on road sector management and finance through the provision of technical advisory services . Cost at appraisal: US$2.5M. Cost at completion: US$2.5M.

Part C: External Auditing Services. Carrying out of audits under the Project through the provision of technical advisory services. Cost at appraisal: US$0.4M. Cost at completion: US$1.6M.

The project components were not revised but a new road was introduced under Part A from a credit savings of approximately US$20M. The savings were due to i) gain in value of the Special Drawing Rights against the US dollar; ii) the relatively large unallocated amount of SDR 12.77M to allow for physical and price contingencies; and iii) lower bids compared to the engineer's estimates.

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

Project cost at completion was US$121.0M, which was close to what was estimated.

The original project closing date was December 31, 2004. The project was first extended for 2 additional years to resolve issues regarding incorrect contractors working on the project. The second extension for another 1.5 years was also to allow the resolution of the previously mentioned contractor problem but also for the completion of the roads which were added during implementation because of realized financial savings.

The DCA was amended to increase IDA funding to 100% because the Borrower could not provide counterpart funding.

3. Relevance of Objectives & Design:

Relevance of objectives (high)
The objectives were relevant and consistent with the government's road sector strategy that emphasized the promotion of an active private sector in the provision of transport services through deregulation and privatization. The project objectives were also in line with the government's Letter of Development Policy and the country's (1998) Poverty Eradication Action Plan, which targeted the provision of efficient and reliable transport services, increasing agricultural production, and enhancing linkages with neighboring countries, stimulating economic growth and promoting security in the country.

The objectives were also consistent with the World Bank Group's Country Assistance Strategy (CAS), which was discussed at the Board on May 20, 1997 and also the CASs of 2000 and 2005. The project was part of IDA's operational program, which was designed to reduce poverty through a medium-term strategy focused on private sector-led growth. Lowering transport costs and improving reliability of access to infrastructure were key elements to facilitate business development.

Relevance of design (substantial)
The design of Component A was relevant to meeting the project objectives of greater access; improved road conditions are likely to improve such access. The targets associated with this Component were measured by the following indicators: i) reduction in average travel time on main roads; ii) reduction in transport and vehicle operating cost; iii) increased agricultural and industry activity reflected in increased traffic growth.

The design of the smaller Component B was less conducive to meeting the second project objective of building up road sector planning and management capability. Only one indicator applied to this objective, the functioning of RAFU (Road Agency Formation Unit) by December 1999. Additionally, it is not clear how Part B of the project met this project objective, as it primarily consisted of studies. The ICR does not delineate who conducted these studies or how the management capability of the GoU might have been improved by executing these studies.

The ICR also refers to the project's "third specific objective of reviewing and updating the 1992 rural roads financing and management strategy" which is not mentioned in the PAD, the DCA, or in other parts of the ICR. In this review, it was assumed to be part of Component B.

Overall relevance was rated substantial.

4. Achievement of Objectives (Efficacy):

Objective 1. Improve access to rural areas and economically productive areas.
The upgrading to bituminous standards of the main roads was achieved, but with substantial delays. By adding the rehabilitation of the Kawempe-Kafu road (166 km), the project delivered 441 km of improved main roads against the 275 km planned at appraisal.

With these improvements, the project succeeded in achieving the planned indicators of reducing travel time as follows:

- Busunju- Hoima road from 7 hours at a speed of 21km/hour in 1999 to 3.5 hours at a speed of 50 km/hour for a bus (including stoppages) in year 2008

- Pakwach- Arua road from 5 hours at a speed of 26 km/hour in 1999 to 2.5 hours at a speed of 50 km/hour for bus (including stoppages) in year 2006.

On the improved roads the vehicle operating costs have also been reduced for an average vehicle (bus) from US$0.352/veh-km in 2002 to US$0.224/veh-km in 2006.
(Highly achieved.)

Objective 2. Gradually build up road sector planning and management capability.
The ICR states that this objective was "largely achieved" because five policy and sector management studies have been completed, but it would have been helpful for the ICR to clarify the linkage between the studies and the capacity building (e.g., what was the follow up and what was achieved). Other related outputs include: the establishment of an Environmental Liaison Unit in the Ministry of Works, Transport and Communications; a bill passed by Parliament in May 2006 establishing the Uganda National Roads Authority (UNRA); and the passage of the Road Fund bill (in June 2008) which established a collection of road user charges which was then applied to road maintenance.

The indicator of RAFU functioning by December 1999 became moot as RAFU subsequently became UNRA in July 2008. This was an arduous process that took 10 years to complete and was fraught with difficulties in finding qualified and experienced staff in procurement and contract management. However, UNRA is now established and more efficient at procurement and contract managment than its predecessor agency in the Ministry of Works, Transportation, and Communication (Substantially achieved).

5. Efficiency (not applicable to DPLs):

At project appraisal an economic analysis for investment on all project roads was estimated at 19 percent. Re-estimation results indicate that the consolidated ERR at completion was 21.1 percent. The higher ERR at completion was due to higher-than-expected traffic growth. The impact of the late delivery of the benefits on the local economy was not measured in the HDM4 model.

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	Yes	19%	91%
ICR estimate	Yes	21%	88%

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

6. Outcome:

The primary objectives of the project were to improve access to rural and economically productive areas and to build up road sector planning and management capability in the country. The former was successfully achieved by improving roads, decreasing average travel times and vehicle operating costs. Relevance and efficiency were substantial. The project also supported a series of studies which eventually led to the successful creation of the UNRA and passing of the Road Fund bill. However, it is not clearly articulated how the studies linked with the improvement of road sector planning and management capability in the country, although there is evidence that capacity has improved.

a. Outcome Rating : Satisfactory

7. Rationale for Risk to Development Outcome Rating:

Given that UNRA is now fully operational and the Road Fund is created, the risks to the development outcomes are considered by IEG to be moderate. However, policy reversals are possible and the UNRA and Road Fund need to keep building capacity to reduce the risk. Additionally, based on a phone conversation with the TTL and a team member, there is some concern that the Ministry of Finance may not fully abide by the law establishing funding for the Road Fund.

a. Risk to Development Outcome Rating : Moderate

8. Assessment of Bank Performance:

During preparation, the Bank added value through providing worldwide experience gained through managing the Road Maintenance Initiative (RMI) in Africa. The Bank's assessment of the lack of institutional capacity and its proposed ameliorative measures were correct. The overall risk at project appraisal was assessed as "modest", while in hindsight a "significant" rating would have been more appropriate, accompanied by a comprehensive risk mitigation plan. The Bank could have made the establishment of a procurement unit at RAFU with an assessed capacity an effectiveness condition.

The way in which the APL instrument was used was not effective. Several APLs were executed in parallel rather than sequentially, making it difficult to learn lessons from the implementation of the previous phase. Additionally, triggers were not linked to sector reform. At the time the program was being developed, the APL instrument was a pilot and the concept of triggers for subsequent operations was not fully mature. As there was pressure at that time to increase lending to Uganda, the APL was implemented prematurely.

In supervision, the Bank was involved in resolving problems and during the delays, the team took proactive actions to resource external consultants to carry out investigations and advise on necessary measures to be taken. Overall, therefore, the Bank's supervision performance is rated as moderately satisfactory.

a. Ensuring Quality -at-Entry: Moderately Unsatisfactory

b. Quality of Supervision : Moderately Satisfactory

c. Overall Bank Performance : Moderately Satisfactory

9. Assessment of Borrower Performance:

The government showed commitment in implementing the institutional reforms. UNRA became fully operational in July 2008, though it took ten years to realize this objective. In addition, as recommended by the sector financing and management study, the government finally decided, after long delays, to set up a RF to enhance financial sustainability of road maintenance. The RF Bill was approved by the Parliament on June 19, 2008 and the President assented to it on August 31, 2008.

Despite the government agreement of providing counterparts funds in a timely fashion, there were delays in releasing of counterparts funds during the years 2002/3, 2003/4 and 2004/5. As a result, payments to contractors were delayed and by May 2005, the government owed contractors an amount of UGX 4.7 billion as unpaid interim certificates and associated interest on account of delayed payment. The Government made every possible effort to prepare a supplementary budget, but the problem remained, until, at the Borrower's request, the credit was amended on September 26, 2005 to increase the disbursement percentage of the remaining civil works to 100 percent. Taking into account the time taken in setting up of UNRA and the non-delivery of counterpart funding the Borrower's performance is rated as moderately satisfactory.

RAFU was the key implementing agency for this project. However, it was difficult for RAFU to recruit experienced and qualified staff, due to scarcity of skilled personnel in the country. As of September 30, 2002, RAFU had 66 staff for 94 positions. Lack of qualified and experienced staff in procurement and contract management was one of the reasons for delay in the implementation of some of the road upgrading contracts. However, compared to the prior procurement and contract management performance of the Ministry of Works, Transportation, and Communication, RAFU managed to cut implementation time by half.

The two large civil works contracts under the component for upgrading main roads had serious problems due to contractor internal issues related to change of ownership but also due to lack of rapid settlement of claims by RAFU. To enhance contracts management, the Bank advised RAFU to introduce tight quality control measures in handling procurement and contract management functions. Subsequently, the formation of teams comprising of foreign and national professionals to handle procurement and contracts management helped in improving the performance of RAFU.

a. Government Performance : Moderately Satisfactory

b. Implementing Agency Performance : Moderately Unsatisfactory

c. Overall Borrower Performance : Moderately Satisfactory

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

Design. The key performance indicators generally collected informative data for the first project objective (improve access to rural areas and economically productive areas). The indicator on traffic growth was incorrectly referred to as “an increase in traffic growth” rather than simply “an increase in traffic” or “traffic growth.” Additionally, the ICR notes that the project agreed that measuring increased traffic volumes would be a good proxy indicator for increasing volume of agricultural, commercial and industrial goods. It was not clear why the team chose this indicator. Using additional indicators such as volumes harvested; amounts sold at market; or value of the sector might have strengthened the project’s claim to contribute to poverty reduction. However, this project was designed in the era before the focus on outcomes as opposed to outputs, so perhaps this contributes to the limited indicators.

Implementation. The project design summary prepared at project appraisal was not modified during project implementation to take into account the two project extensions approved for three years and six months.

Utilization. The ICR indicates that the M&E system was not adequately used to monitor project implementation delays and to act on such delays.

a. M&E Quality Rating: Modest

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

Environmental and Social Safeguards.
At appraisal the project was considered a Category B project. Environmental Impact Assessments (EIA) were carried out for each road. An Environmental 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.

A social assessment for the physical components of the project was conducted prior to appraisal in conjunction with the EIA for the roads selected for upgrading. The social analysis included analysis of the temporary and localized microeconomic impacts resulting from construction activities, as well as the potential for involuntary resettlement and quantification of the number of dwellings to be removed. Furthermore, all the civil works contract documents contained safeguards for HIV/AIDS & environmental issues with provisions for payment through items in the bills of quantities.

Fiduciary. Financial management of the project was carried out in accordance with legal agreements and the operational manual. At project appraisal, all procurement arrangements including procurement plan and procurement methods were discussed and agreed consistent with the World Bank (WB) guidelines. The procurement capacity was low and therefore the quality of procurement documentation was not up to standard and causing procurement delays.

Unintended impacts.
There are no unintended outcomes or impacts (positive or negative).

12. Ratings:	ICR	IEG Review	Reason for Disagreement /Comments
Outcome:	Satisfactory	Satisfactory	
Risk to Development Outcome:	Moderate	Moderate	
Bank Performance:	Moderately Satisfactory	Moderately Satisfactory	
Borrower Performance:	Moderately Satisfactory	Moderately Satisfactory	
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:

The following lessons were including in the ICR:

APL instrument: APL phases should be executed sequentially and not simultaneously to allow lessons to be learned from one phase to the next. Triggers for phases 2 and 3 were identical and were not tied to the sector reform agenda. This was one of the first projects that made use of the APL instrument and subsequently has evolved and the best practice today requires that triggers are clearly set out to initiate each subsequent intervention.

Policy and institutional reforms: The policy and institutional reforms to transform the ministry's road agency (RAFU) to an autonomous road authority (UNRA) took much more time than the anticipated three and half years at project appraisal. It would have been advisable to set intermediate triggers in the APL to help accelerate this process.

Technical Assistance: Future TAs should have clear objectives of building local capacity with measurable outputs in a specified time. When RAFU was created in 1998, its head and other key staff were expatriate staff appointed under the project funded TA program and the skill transfer to local staff was not very effective and took a long time. In designing a technical assistance program, it is critical to evaluate the knowledge, skills, talents and competencies of national professionals so as to optimally tailor the program for them.

Review of Design and Contracts Documents: Designs should be thoroughly reviewed before tendering. One of the reasons for delay in completion of the civil works contracts was that shortcomings in engineering design were observed during contract implementation—shortcomings that should have been caught earlier.

Lack of Counterpart Funding: Capacity of Borrower to finance counterpart funding must be carefully assessed during project preparation. Non-payment of counterpart funding has dire consequences on performance in the sector. First, it reduces the output of contractors, leading to time extensions with associated costs. Second, a history of counterpart payment delays can reduce the number of bidders willing to bid. This usually reduces competition and may lead to collusion amongst the reduced number of bidders. It is therefore important to realistically analyze the Borrower's capacity to finance counterpart funding, and to decide to either finance 100% of all components (this, however, was not an option at the time of the preparation of this credit due to the unwillingness of the Bank at that time to finance taxes) or to move to a sector wide program whereby co-financiers (government and other DP) each finance part of the overall program.

Risk Assessment and Results Framework: Well-designed risk assessment and results frameworks are crucial for project success. Both risk assessment and results framework of the project lacked depth and stringency. As a result the monitoring of the achievement of the development objectives and implementation progress was less than satisfactory.

14. Assessment Recommended? ○ Yes ● No

15. Comments on Quality of ICR:

The ICR is thorough, comprehensive, and generally well written. The lessons included are useful and insightful. Providing more discussion of the linkages between the studies completed and capacity building would have been helpful.

a.Quality of ICR Rating : Satisfactory