Public Disclosure Authorized
Public Disclosure Authorized

Report Number : ICRR0020493

1. Project Data

Project ID	Project Name	
P079734	E Afr Trade & Transp Facil (FY06)	
Country	**Practice Area(Lead)**	**Additional Financing**
Africa	Transport & ICT	P121354,P121354

L/C/TF Number(s)	Closing Date (Original)	Total Project Cost (USD)
IDA-41470,IDA-41480,IDA-41490,IDA-49770,IDA-H2020	30-Sep-2011	311,670,000.00
Bank Approval Date	**Closing Date (Actual)**	
24-Jan-2006	30-Sep-2015	

	IBRD/IDA (USD)	Grants (USD)
Original Commitment	199,020,000.00	0.00
Revised Commitment	220,865,814.54	0.00
Actual	225,511,656.59	0.00

Prepared by	Reviewed by	ICR Review Coordinator	Group
Natsuko Toba	Robert Mark Lacey	Christopher David Nelson	IEGSD (Unit 4)

2. Project Objectives and Components

a. Objectives

According to the Financing Agreements, the original project development objectives (PDOs) were: (a) improving the trade environment among the Regional Countries (Kenya, Rwanda, Tanzania and Uganda), through effective implementation of the East African Community Customs Union (EACCU) Protocol; (b) enhancing the efficiency of transport and logistic services along key transport corridors by reducing non-tariff barriers (NTBs) and uncertainty of transit time; and (c) improving railway services in the Republic of Kenya and the Republic of Uganda.

A Level 1 restructuring was approved by the Board in May, 2011, involving a change in the PDO. According to the Financing Agreements at the time of restructuring, the revised PDOs were: to support the Recipient's

efforts to: (a) enhance efficiency of customs agencies' clearance processes for the East Africa Community (EAC) Partner States participating in the East Africa Customs Union to facilitate trade; (b) improve efficiency and reliability of transport and logistics services along the key corridors; and (c) enhance safety in identified areas and reduce the Recipient's fiscal transfers to railway institutions by rationalizing the work force on the Kenya-Uganda railway. At the time of the restructuring, US$87.19 million had been disbursed, representing 39 percent of the total disbursed IDA financing at closure of US$225.51 million.

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

Yes

Did the Board approve the revised objectives/key associated outcome targets?

Yes

Date of Board Approval

27-May-2011

c. Will a split evaluation be undertaken?

Yes

d. Components

Original Components

There were four original components:

Component 1. Support to EACCU Implementation (Estimate at appraisal: US$44.9 million; actual US$16.64 million). This component was to support the EAC Secretariat and national customs departments with a modern integrated Customs system and a common database in accordance with the Protocol of the East African Community Customs Union (EACCU).

Component 2. Institutional support for Transport Facilitation (Estimate at appraisal: US$15.66 million; actual US$7.6 million). This component aimed to strengthen the Northern Corridor Transit Agreement between Kenya and the Great Lakes countries; establish a management mechanism for the Central Transport Corridor connecting Dar-es-Salaam with the Great Lakes countries; and improve the regional transport policy and harmonize transport regulations.

Component 3. Investment Support for Trade and Transport Facilitation (Estimate at appraisal: US$135.43 million; actual US$152.26 million). This component aimed to (i) enhance security and facilitation in the ports of Mombasa and Dar-es-Salaam; (ii) improve goods security by financing regional and national electronic cargo tracking systems from the ports of Mombasa and Dar-es-Salaam throughout the EAC and Rwanda; (iii) establish key joint border posts, inland container depots and internodal infrastructure; and (v) implement a common truck load control policy.

Component 4. Support to the Kenya – Uganda Joint Railways Concession (Estimate at appraisal: US$85.59 million; actual US$163.94 million). This component included (a) technical support to the Kenya Railways Company (KRC) and the Uganda Railways Company (URC); (b) support for the retrenchment and social mitigation of KRC staff; (c) support for establishment of a Pension Fund for the staff of KRC; (d) support for the Kenya Relocation Action Plan (RAP) implementation; (e) investment support for Uganda Railways Corporation (URC); and (iv) support to the Joint Railways Concession through the provision of

partial risk guarantees (PRGs) to Rift Valley Railway (RVR) Corporation subsidiaries (concession companies in Kenya and Uganda set up to enter into and implement the Concession Agreements). The PRGs would backstop Government of Uganda/Uganda Railways Corporation (GoU)/URC) and Government of Kenya/Kenya Railways Corporation (GoK)/KRC) contractual obligations to the concession companies under the two Concession Agreements. The coverage was limited to contractually stipulated termination payments owed under either concession by either of the Governments in the event of an early termination due to a breach of the Concession Agreement by one of the Governments or force majeure.

Revised Componentsc

The most significant changes resulting from the May 2011 Level 1 restructuring affected the activities related to the railway concessions (Component 4). The project would now only finance the establishment of safe zones and the resettlement of people informally residing within the right of way on some sections of the railway line in the vicinity of Nairobi (principally in the Mukuru and Kibera settlements, with an estimated 250,000 and one million residents respectively), and the resolution of financial problems associated with labor-force retrenchment and future pension obligations. At the request of the Government of Kenya, the scope of resettlement of communities living alongside the track was increased from about 10 meters to about 60 meters, involving approximately 10,000 structures or households (about 30,000 people) compared to an original 3,400 structures or households.

Other changes included: (i) additional security investments at the ports of Mombasa and Dar-es-Salaam; (ii) additional weighbridges at Mariakani and Athi River; (iii) the financing of additional costs at two one-stop border posts, partially from the savings realized from the dropping of a bridge construction at Malaba and of a study for an oil pipeline between Uganda and Rwanda (for which the Governments decided to pursue private sector options); (iv) increased retrenchment costs for KRC employees; (v) rehabilitation of only one, rather than two, wagon ferries, due to increased costs; and (v) replacement of the port community system by national electronic single windows in Kenya and Tanzania, and the dropping of the national electronic single window for Rwanda.

At a Level 2 restructuring in 2014, the NSWs for Kenya and Tanzania were dropped due to delays in implementation; port security activities in Tanzania were taken over by Trade Mark East Africa (TMEA, an agency created in 2009 specifically to support trade reform and expansion in East Africa, and funded principally by the United Kingdom (UK) Department for International Development (DfID), but also by a number of other development partners).

e. Comments on Project Cost, Financing, Borrower Contribution, and Dates

Project cost

Estimated project cost at appraisal was US$ US$ 281.67 million (PAD, December 27, 2005, pages 11-12). This was revised at the 2011 Level 1 restructuring to US$ 276.95 million (Project Paper, May 27, 2011, Annex 6). The total actual project cost was US$340.45 million (ICR, September 27, 2016, Annex 1). The main increases in cost over the appraisal estimate were the implementation of the relocation action plan (US$92.8 million actual, compared to an appraisal estimate of US$11 million and a revised estimate at the Level 1 restructuring of US$39.10 million), and the joint border posts (US$77.04 million actual compared to US$41.21 million at appraisal and US$51.66 million at restructuring.

Financing

Original IDA financing was US$199.02 million, consisting of three credits (US$120.62 million for Kenya,

US$37.00 million for Tanzania, and US$26.40 million for Uganda) and one grant of US$15.00 million for Rwanda. At the 2011 Level 1 restructuring, Additional Financing (AF) in the form of a credit of US$30 million was provided in order to cover cost overruns for delayed activities, and fund the expanded scope of resettlement. Actual IDA financing was US$225.51 million. The balance, of US$ US$8.35 million, was canceled at closure. In addition, the partial risk guarantees, which became effective in 2012, amounted to US$45 million for Kenya and US$10 million for Uganda. Other external financing at appraisal included a US$4 million grant from DfID. At closure this had increased to US$31.15 million disbursed through TMEA, in which the original DfID grant was included. This was used wholly for transport facilitation investments. Parallel support was provided by the African Development Bank, but the amounts concerned are not available in the ICR.

Borrower contribution

At appraisal, the estimated Borrower/Recipient contribution was US$62.85 million (Kenya US$29.55 million, Tanzania US$10.90 million, Uganda US$8.90 million, and Rwanda US$13.50 million). Actual Borrower/Recipient contribution was US$93.35 million. Most of the addition resulted from the Government of Kenya's higher contribution to the financing of the resettlement action plan.

Dates

The project was approved on January 24, 2006, and became effective on June 5, 2006. The original closing date of September 30, 2011, was extended, first by three years at the 2011 Level I restructuring in order to provide adequate time to execute the remaining activities, including the implementation of the expanded resettlement action plan. A second extension of one year was granted at the 2014 Level 2 restructuring to enable completion of outstanding activities. The project closed on September 30, 2015. The PRGs are scheduled to close on June 1, 2033.

3. Relevance of Objectives & Design

a. Relevance of Objectives

Original Objectives

The objectives were relevant to World Bank Group (WBG) strategy in the four countries at appraisal. The project was included in the 2004-2007 Country Assistance Strategy (CAS) for Kenya under the theme of "reducing the cost of doing business and improving the investment climate." In Tanzania, the first pillar of the CAS aimed at creating higher growth and economic opportunities for the poor. Within this priority, the third activity is investing in infrastructure. In Uganda, the third pillar of the CAS was to create an enabling environment for economic growth and structural transformation. In Rwanda, the second pillar of the CAS was private sector development and employment creation through support for policy and institutional reforms and infrastructure investments.

The objectives remained relevant to WBG strategy at closure. The Kenya Country Partnership Strategy (CPS) for 2014-2018 includes the project in “Domain one: Competitiveness and sustainability.” In Uganda, the fifth objective of the Country Partnership Framework (CPF) for the period 2016-2021 is to facilitate economic expansion and private sector development through improved regional transport links and lower barriers to trade. The 2012-2015 CAS for Tanzania included this project in “Outcome 1.1: Improved business environment and financial intermediation” and “Outcome 2.2: Increased access and quality of transport.” The

objectives are relevant to the 2014-2018 CPS for Rwanda under Theme 1: “Accelerating economic growth that is private-sector driven and job-creating, to address the development challenge of Rwanda’s internal trade and competitiveness of exports that are constrained by high transport costs and an insufficient logistics system.”

The objectives are also relevant to the strategies of the countries concerned. The project was expected to support Kenya’s Investment Program for the Economic Recovery Strategy for Wealth and Employment Creation, Tanzania’s “National Strategy for Growth and Reduction of Poverty,” Uganda’s Poverty Eradication Action Plan’s pillar 2 “enhancing production, competitiveness and incomes”; and Rwanda’s Vision 2020, published in 2000, especially one of the five objectives “Regional and international economic integration”. At closure, the original PDO remained relevant -- all four national strategies emphasized regional connectivity and logistics as crucial for their sustainable economic growth. Kenya’s Second Medium Term Plan 2013-2017 aims to increase investment in transport, with a view to making Kenya a top logistics hub in the region. Uganda’s Second National Development Plan 2015/16-2019/20 includes an export oriented growth strategy to exploit the regional market with priority investment in, inter alia, transport infrastructure. Tanzania’s Second Five Year Development Plan 2016/17 – 2020/21, aspires to position the country as a regional trade and logistic hub. Rwanda’s Economic Development and Poverty Reduction Strategy for 2013-2018 stresses increasing the external connectivity of Rwanda’s economy and exports through improving rail connections and transforming Rwanda’s logistics system.

The objectives were relevant to country and regional conditions. The cost of transport along the key trading corridors in the East Africa region was high due to the inadequate transport infrastructure and logistics services, slow and costly bureaucratic procedures, and other non-tariff barriers. While the quality of the road infrastructure was improving, the performance of the railway operators on both the Northern and Central transport corridors was deteriorating. As result, rail was losing significant levels of traffic to the road mode, which increased social and economic costs, including congestion and pollution, higher road maintenance, and fatalities and injuries from road traffic accidents.

Revised Objectives

The revised objectives remain relevant for both WBG and country strategies at both appraisal and closure. Enhanced customs clearance efficiency, and improved efficiency and reliability of transport and logistics services along the key corridors are, in essence, sub-sets of the original objectives and share their relevance. The objectives of enhancing safety in identified areas through resettlement, and rationalizing the work force on the Kenya-Uganda railway are both essential components of improved rail transport. They are, however, a necessary, but not sufficient, condition for enabling the railways to play the role originally envisaged for them at the project’s preparation stage.

Rating	Revised Rating
High	Substantial

b. Relevance of Design

Original Objectives

The causal links in the original results framework between activities, outputs and expected outcomes were, in general, clear. Enhancing the capacity of regional and national institutions to implement the newly established

EACCU, including training, modernizing systems and strengthening modal interconnection within and among countries could be expected to improve the trade environment of the project-supported countries. Strengthening transport policy and regulations, enhancing port security and clearance processes, creating joint border posts and cargo tracking systems, modern weigh-stations and information, communication and technology (ICT) systems would likely contribute to reducing transit time, unreliability and non-tariff barriers. The project's technical, investment and safeguards support to the railway companies could be expected to contribute to improving their performance and strengthening their ability to compete with road for appropriate categories of goods. The inclusion of the PRGs to support the railways concessions was innovative and appropriate: a consensus was emerging at appraisal that a long-term concession was the only effective way to ensure efficient railway operations and hence to contribute to a reduction in transport costs. The link between the components and the objectives was equally clear: the first component was intended to support the attainment of the first sub-objective 1, while the second and third components supported sub-objective 2. The fourth component focused on the railways (sub-objective 3).
However, relevance of design was undermined by a significant shortcoming – the operation was excessively broad, overly ambitious, and unnecessarily complex. As the ICR (page 22) acknowledges, "essentially the project was six projects rolled into one." The difficulties arising from the aggregation of a large number of distinct components spread over four countries were aggravated by a Management decision – against the advice of the task team – to include the railway concession and associated activities (including the resettlement, which subsequently had to be vastly increased) within the project. This made successful implementation "almost unattainable from the start" (ICR, page 22). The difficulties facing the railways were highly complex and specific and demanded the resources of a separate operation. There was an additional, moderate shortcoming: the original results framework in the PAD (Annex 3, pages 52-53) placed inputs (e.g., investment, contracts awarded), or outputs (e.g. database established) among the intermediate outcomes.
Revised Objectives
Under the revised objectives, the scope of the railway-related activities was restricted to implementation of the resettlement action plan and the resolution of financial problems associated with labor-force retrenchment and future pension obligations. All activities and corresponding indicators related to the efficiency, operation or management of the railway concessions were dropped without adding any new alternative mechanism to monitor and assess the progress of the PRG subcomponent. This reflects a significant weakness in design relevance in that IDA remained responsible for the supervision of the PRGs but without any practical means of effectively supervising or monitoring the technical and financial performance of the railways.

Rating	**Revised Rating**
Modest	Modest

4. Achievement of Objectives (Efficacy)

Objective 1
Objective
Improving the trade environment among the Regional Countries (Kenya, Rwanda, Tanzania and Uganda) ,

through effective implementation of the East African Community Customs Union (EACCU) Protocol.

Rationale

<u>Outputs</u>
1. The EAC Customs Management Law is implemented within each country in the EAC region.
2. New procedures & information technology across all customs stations were introduced; staff were trained; scanners, solar panels, and computer equipment were purchased (Kenya). customs procedures were reformed across the country, customs equipment was modernized, interconnectivity was established, and a disaster recovery system purchased (Uganda). Training on the goals and functioning of the Customs Union was provided to private sector operators, key documents were translated into French and Kinyarwanda, and office equipment was purchased (Rwanda). The modernization of Tanzania's customs was not funded by the project, since it was considered sufficiently covered by other initiatives supported by development partners (including the Bank).

<u>Outcomes</u>
1, The regional interconnection of national ICT customs systems was reported to be fully operational and functioning by closure. Joint work between the countries increased, including joint offices and inspections at borders and ports.
2. However, while there was some simplification of customs procedures and documents, World Customs Organization (WCO) indicators for two of the countries showed that efficiency of customs agencies increased only partially; no data were available for the other two countries (efficiency was measured by using the WCO's Time Release Study, primarily designed to measure the time required to release goods from the customs).
3. No evidence is presented in the ICR of an improved trade environment among the four countries as a result of the procedural improvements and investments supported by the project.

Rating

Modest

Objective 1 Revision 1

Revised Objective

Enhance efficiency of customs agencies' clearance processes for the EAC Partner States participating in the EACCU to facilitate trade

Revised Rationale

Outputs and outcomes are essentially the same as for original objective 1. As noted, although there have been important outputs such as simplified documentations coupled with the use of modern technologies, there is little direct evidence of enhanced customs efficiency.

Revised Rating

Modest

Objective 2

Objective

Enhancing the efficiency of transport and logistic services along key transport corridors by reducing non-tariff barriers (NTBs) and uncertainty of transit time

Rationale

Outputs

1. The project provided institutional support for transport facilitation, though several actions were only partially completed: (a) a national transport data center was to be established (Kenya); a contract was signed with the University of Nairobi Enterprise and Service Unit, but it is unclear if there were further results; (b) staff training was provided to the project team in Uganda on transport services economics and enforcement of regulations; (c) two studies identifying future transport development possibilities for Rwanda and the Great Lakes area were completed; (d) In Tanzania, the Surface and Marine Transport Regulatory Authority (SUMATRA) Integrated Financial Management System was introduced, and training provided to freight forwarders and port staff on certification, safety at sea, marine pollution, search and rescue; however, legislative action to underpin safety, pollution, search and rescue, and the accreditation of freight forwarders was still pending at closure; and (e) although a Central Corridor Transit Transport Facilitating Agency was established, a database for monitoring transit traffic is required and remains to be set up.
2. The project intended to fund investments for trade and transport facilitation. However, most activities could not be completed with IDA funding and had to be taken over by other agencies: (a) the Kenya Revenue Authority's cargo tracking system was finally established by 2013, but without the use of IDA funds owing to delays stemming from running-in problems and lengthy legal challenges; (b) an electronic cargo tracking system was developed and is operating on Northern Corridor roads in Rwanda, but was not funded by IDA; technical assistance was provided by TMEA; and (c) the development and launching of railway cargo tracking experiments were piloted on the Dar-es-Salaam – Morogoro line in Tanzania with a view to possible broader rehabilitation and expansion of the network. The ICR reports (September 27, 2016, page 34) that, following the pilot, Tanzania Railways plans to roll out the system using its own resources.
3. Security was reinforced in the ports of Mombasa (Kenya) and Dar-es Salaam (Tanzania). Security training was provided for port staff. A major security upgrade was completed at Mombasa. In Dar-es-Salaam, some patrol boats were acquired but proved to be non-functional. Security plans were developed, but their implementation, in 2015, took place outside the framework of the project.
4. Five fixed weighbridges and stations were in various stages of completion or rehabilitation, two in Kenya, and three in Tanzania. The two Kenyan facilities were expected to be completed by mid-2016. The contracts for the three Tanzanian stations were signed in early 2013, and the ICR reports that they are now functioning. For Uganda, four mobile weighbridges and four Weigh-in-Motion (WiM) bridges were provided, the former by 2009, while the latter were handed over to the Road Authority in August, 2015.
5. It is difficult from the ICR to obtain a clear picture concerning the status of the one-stop border posts that were to be supported by the project. Twelve appear to have been originally planned. Of these, two posts (Taveta and Holili, between Kenya and Tanzania) were completed and furnished with TMEA financing and have reportedly been operating with fully trained staff on a one-stop basis since June, 2015. One post (Malaba, between Kenya and Uganda) with largely IDA financing, was reportedly in operation by mid-2009, although the ICR states that a European Union (EU)-financed "essential new bridge" was only nearing completion at the time of ICR preparation. Two posts (Busia, between Kanya and Uganda, and Mutukula, between Tanzania and Uganda) were reported to be "largely completed" and "operational" by August, 2015.

However, reduced transit times at these posts were dropped from the results framework at the 2011 restructuring. Five posts – Malaba (Kenya/Uganda), Isebania and Sisari (Kenya/Tanzania), and Lunga-Iunga and Horohoro (Tanzania/Kenya) - were 50 percent completed at closure. Construction work had not started by closure on the remaining two posts, at Katuna and Gatuna (Kenya/Rwanda), due to delays resulting from environmental difficulties on the Rwanda side. With regard to the Malaba, Isebania/Sirari, and Lunga-Iunga/Horohoro posts, it is stated in Table F of the ICR Data Sheet (ICR, September 27, 2016, page xii), that "necessary public sector reform," presumably to complement the construction of the facilities, was not complete. Nowhere in the ICR is either the nature of this "public sector reform" or what it was intended to achieve, explained.
6. The project supported master planning and development of inland container depots. A depot was constructed in Uganda, to relieve cramped facilities in Kampala. However, it was only completed in December, 2015, and was expected to open for business in early 2016. A port master planning study was completed for Dar-es-Salaam.
7. The development of a number of community-based systems was partially supported, including: (a) an electronic single window (ESW) at the port of Mombasa, which the ICR reports as having been "fully launched and community-wide in 2013;" however, the extent to which this is attributable to the project is unclear – the ICR states (page 36) "that IDA funds were not used after departure from KPA" (presumably referring to the change in implementation responsibility from the Kenya Port Authority to the Kenya Trade Network Agency); (b) some early advice was given for the ESW at Dar-es-Salaam, but the activity was not funded by the project; the Authorities "hope to have some modules of a TANCIS [Tanzania Customs Integrated System] -based single window completed in 2016" (ICR, page 36);. and (c) a planned ESW for Rwanda was dropped from the project in 2011, since" the Government chose to fund it from its own resources" (ICR, page 36). In the event, instead of ESW, Rwanda developed the United Nations Conference on Trade and Development Automated System for Customs Data.
Outcomes
1. Data for 2014 show that the dwell time for a standard (20 foot equivalent unit, or TEU) container at Mombasa was three days and at Dar-es-Salaam seven days, compared to 2005 baselines of 13 days at Mombasa and 18 days at Dar-es-Salaam. The revised targets adopted at the 2011 restructuring were met in the case of Mombasa and slightly exceeded at Dar-es-Salaam.
2. The ICR Data Sheet (ICR, September 27, 2016, page x) states that the crossing time at the Mariakani weighbridge in Kenya, where new facilities had been installed, had been reduced, by September 2015, from six hours to half-an-hour, easily exceeding the target of four hours. However, elsewhere (page 34), the ICR notes that the Mariakani station was not expected to be operational until mid-2016, after the project closed.
3 The harmonization of policies and regulations regarding transport and transit was not completed along the corridors by closure, and a single customs document could not therefore be used from Mombasa to Kigali as the project had intended.
4. There were important decreases recorded in border crossing times between Kenya and Uganda – at Malaba from a baseline of 45 hours (15 on the Kenya side and 30 on the Uganda side) to 2.1 hours in September, 2015, and at Busia from seven to five hours by 2011. No further data were recorded for Busia as the indicator was dropped at the 2011 restructuring. Attribution of the improvement at Busia to the project would in any case be difficult as the one-stop border post was not in full operation by closure.
5 According to the reports of the "Seamless Committees" (specially recruited public-private teams with EAC Secretariat participation, inter alia to check the degree of seamlessness actually achieved on major EAC

routes), the goal of reducing variance of transit time on the Northern Corridor from a 2010 baseline of five days to a 2014 performance of two days was attained. However, the extent of attribution to the project is unclear. The project was unable to realize any improvements in the removal of non-tariff barriers, and this goal was dropped at the 2011 restructuring. Such barriers would be expected to be among the leading causes of variance.

Rating
Substantial

Objective 2 Revision 1

Revised Objective
Improve efficiency and reliability of transport and logistics services along the key corridors

Revised Rationale
The objective is practically identical to the second original objective except for the removal of the goal to reduce non-tariff barriers. Most of the targets were revised upwards at the 2011 restructuring, but were still achieved. The same attribution issues arose.

Revised Rating
Substantial

Objective 3

Objective
Improving railway services in the Republic of Kenya and the Republic of Uganda

Rationale
Outputs
1. The Rift Valley Railway (RVR) concession agreements were signed in 2006. The 25 year concessions were structured on the basis that the railway system could be commercially viable if run efficiently. Consequently, the commercial risks, principally the operational, investment, and traffic risks, were transferred to the Concessionaire. The concessions included minimum investment levels for the first five years, minimum growth targets for freight traffic, and safety, health and environmental requirements among other covenants.
2. Technical assistance was provided to prepare the retained KRC and URC staffs for their new oversight and supervisory functions.
3. Rehabilitation of the dry dock and repair of the motor vessel wagon ferry *Kaawa* on Lake Victoria were completed in August 2012, since when the ship has been used periodically. However, a study of the rehabilitation of the Tororo-Pakwach branch line showed that “government revival [of the facility] was not yet a very high priority investment” (ICR, page 37). Without a functioning railway connection to Kisumu or Mwanza, full utilization of the *Kaawa* is unlikely. In addition, the technology used to repair the ferry was

outdated (ICR, page 10).
Outcomes
The ICR (page 16) reports that “No substantive improvements were realized in the performance of the railway under the project prior to the first restructuring.” The target of seven days transit time from the baseline of 14 days from Mombasa to Kampala was not achieved, nor was the target increase in rail market share on the Northern Corridor from 16 percent to 30 percent. As already noted, after the 2011 restructuring, there were no project activities to support improvements in the operational efficiency of the railways, nor indicators to measure them.

Rating
Negligible

Objective 3 Revision 1

Revised Objective
Enhance safety in identified areas and reduce the Recipient’s fiscal transfers to railway institutions by rationalizing the work force on the Kenya-Uganda railway

Revised Rationale
Outputs
1. By December 2015, according to an independent auditor, a total of 6,794 Kenya Railway Corporation employees had been certified for retrenchment benefits and 19,513 for pension benefits. There were no targets indicated in the ICR, nor is the number of staff actually retrenched available.
2. The implementation of a Resettlement Action Plan (RAP), revised in 2011 to cover the larger numbers to be resettled following restructuring, only started in late 2013 and was incomplete by closure.
Outcomes
1. The Governments of Uganda and Kenya have not, according to the ICR (page 17), been providing subsidies to railway operations, but have rather been receiving concession fees and tax revenues. However, the attribution of this to the project is, at best, partial, given that the objectives of improved railways services and greater efficiency of railway operations were not met. The possible contribution of project-supported workforce rationalization is not explained in the ICR.
2. The difficulties and delays occasioned by the resettlement process are described in more detail below, especially in Section 11a, but also in Section 8. In terms of outcome, the expanded safe operational zone had not been fully established in Kibera and Mukuru by closure, and implementation of the resettlement programs was partial and still ongoing. The ICR (page 11) reports that as of January, 2016, 51 percent of the necessary residential units, and 29 percent of the necessary business units had been built, and 1,256 households involving 3,214 project-affected persons (respectively just over 13 percent and 10 percent of the estimated totals), relocated. The ICR states (September 27, 2016, page 14), that in the light of progress made, the resettlement process was likely to be completed by the end of 2016. However, according to subsequent information provided by the Bank task team, the process was still ongoing as of January, 2017. This result is unsurprising since, as the ICR (page 8) acknowledges, “the already wide scope of the project was broadened beyond reasonable limits by the resettlement activities along the rail corridor, and the higher than envisaged associated risks.”

Revised Rating
Modest

5. Efficiency

The ex-ante economic analysis covered 60 percent (US$118.36 million) of the total estimated project cost at appraisal of US$197.62 million. It included EACCU implementation, and institutions and investment for transport facilitation. Benefits included reductions in time and uncertainty. The economic internal rate of return (EIRR) was calculated to be 26 percent and the net present value (NPV) US$21.44 million at a 12 percent discount rate. A separate analysis of the railway concession component yielded an EIRR of 49 percent. Most of the benefits consisted of government revenues from concession fees.
No ex-post economic analysis was conducted. The ICR (page 18) refers to “an overall review of accomplishments” drawing on 2012 data. This apparently produced an EIRR “greatly exceeding” appraisal estimates, though the EIRR itself is not stated; nor is there much information provided about the methodology of the review. The ICR (page 19) points to reductions in transport costs, in particular trucking costs, along the Northern Corridor. Again, these are not quantified. Their attribution to the project would, in any event, be difficult, since falling trucking costs can result from a wide variety of causes, including road investments and enhanced road maintenance. Moreover, considering the extended implementation period, activities that were still pending at closure, cost overruns (final project costs for a number of key components were nearly twice as high as originally estimated), and continued railway inefficiencies, it seems likely that the ex post EIRR would have been lower rather than higher than the ex-ante.
There were a number of administrative and operational inefficiencies (see Sections 8, 9 and 11 below), which contributed to time overruns of four years (over 70 percent of the original schedule). Despite this, several key activities remained incomplete at closure.

Efficiency Rating
Modest

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

	Rate Available?	Point value (%)	*Coverage/Scope (%)
Appraisal	✓	26.00	42.00 ☐Not Applicable
ICR Estimate		0	0 ☐Not Applicable

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

6. Outcome

For the original objectives, relevance of objectives is rated high and that of design modest. The efficacy of the first of the three objectives -- improving the trade environment among the Regional Countries – is rated modest. Although several activities were undertaken with project support, there is little evidence provided of an improved trade environment. The second objective -- enhancing the efficiency of transport and logistic services along key transport corridors by reducing non-tariff barriers and uncertainty of transit time – is rated substantial. There is some evidence of improved transport efficiency in the form of reduced dwell and transit times, and of greater reliability reflected in lower variance of arrival times. Attribution to the project, however, cannot be fully established, since a number of contributory activities were either dropped (reduction of non-tariff barriers) or incomplete at closure (one-stop border posts and weighbridges). Efficacy of the third objective -- improving railway services in Kenya and Uganda -- is rated negligible, since there was no substantive improvement in the performance of the railways under the project. Efficiency is rated modest – there was no convincing ex post economic analysis, and operational and administrative inefficiencies contributed to cost overruns, significant delays and non-completion of key activities. Outcome under the original objectives is rated moderately unsatisfactory.
For the revised objectives, relevance of objectives is substantial and that of design modest -- the restructured project offered no means to supervise effectively the partial risk guarantees for the railway concessions. There was little substantive change in the first two objectives, and they share the same ratings – modest and substantial respectively -- as under the original objectives. For the third objective -- enhanced safety in identified areas and reduced fiscal transfers to railway institutions by rationalizing the work force on the Kenya-Uganda railway – the rating is modest. Some progress was made in staff retrenchment and pensions in the two railway corporations, and it is reported that no government subsidies were provided to them. However, the expanded resettlement program along the tracks in the vicinity of Nairobi was only 30 percent complete by project closure and was still ongoing in January, 2017. With efficiency rated modest, outcome under the revised objectives is rated moderately unsatisfactory.
Since outcome is the same under both original and revised objectives, overall project outcome is assessed as moderately unsatisfactory.

a. Outcome Rating

Moderately Unsatisfactory

7. Rationale for Risk to Development Outcome Rating

No significant technical issues had been reported by closure concerning the information and communications technology installed. However, the financial performance of the railways is of serious concern. While the concessionaire invested US$139 million in network rehabilitation in 2011-2015, freight traffic, the main source of revenue, only started to increase in 2015 and passenger traffic continued to decline. Rift Valley Railways has reported losses of more than 10 percent of its revenue every year since 2011. Domestic, regional and global

economic performances will affect trade and hence the demand for transport. Ongoing resettlement issues will affect the sustainability of railway operations and the affected people. The solutions developed over the last few years to the resettlement problems might well run into new difficulties.

a. Risk to Development Outcome Rating

Substantial

8. Assessment of Bank Performance

a. Quality-at-Entry

The project was highly relevant to the need to reduce the high cost of transport within, and especially between, the four regional countries. Although there was no prior Bank experience of similar projects in the Africa Region, preparation nonetheless incorporated lessons learned from transport sector operations in East Africa: (i) design must reflect the intent, interest and priorities of the beneficiaries and the stakeholders to ensure ownership of the project and particularly of the reform process; (ii) due emphasis must be placed on capacity building of project institutions; (iii) at the country level, the formation of a preparation team led by a designated ministry must be assured; while at the regional level, the coordination team should assume the appropriate degree of responsibility to guarantee the proper interface between governments and country teams; and (iv) monitoring and evaluation (M&E) should be well designed with efficient monitoring tools at both country and regional levels.

Project conception and preparation demonstrated several positive dimensions. First, there was an appropriate emphasis on the “soft” aspects of trade and transport facilitation – for example, enhanced customs efficiency, reduced waiting time at border posts and weigh stations, harmonization of documents, effective cargo tracking systems, reduction of non-tariff barriers, and the focus on monitoring performance and reducing transit time along the corridors. Second, the support to the joint railway concessions was built on the basis of effective collaboration with the International Finance Corporation’s (IFC’s) Advisory Group to the Kenyan Government. Third, the PRGs and IDA credits were well prepared, and there was complementarity between the guarantees and the proposed project activities directed at improved railway performance. Fourth, the broad, logistics-based approach adopted helped to ensure the appropriate sizing and packaging of interventions in different transport services, customs and communications. Fifth, simultaneity of action was important for reinforcing the political feasibility of sustained reform. For instance, in the case of the railways, the rail concessions were to be accompanied by compensation of excess staff, and the negotiation of acceptable solutions to the safety and social problems posed by those living near to the tracks. Similarly, it was intended to create a single customs territory while simultaneously modernizing port management and mobilizing the port community.

There were, however, a number of significant shortcomings. First, as noted in Section 3b above, the wide variety of activities, compounded by the inclusion of the railway concession and associated resettlement, led to an excessively broad, overly ambitious, and complex project, almost impossible to implement successfully. A 2006 Quality Assurance Group’s assessment of quality at entry considered that the inclusion of railway concession support in the complex regional project, rather than preparing it as a stand-

alone operation, unduly increased implementation risks inherent in an already challenging railway concession. Second, there was insufficient attention paid during preparation to the serious problems facing the railway corporations. The urge for expediency to reach financial closure on the concessions constrained due diligence on the condition of the track and rolling stock and the financial and managerial strength of the concessionaire. There was, therefore, an underestimation of the required investment and an overestimation of the selected concessionaire's capabilities. According to a 2014 World Bank study ("Building Integrated Markets within the East African Community"), this was to result in near-collapse of the concession. Third, the multi-country nature of the project added to the complexity. Some of the cross-border activities were to prove challenging to implement due to the sovereign nature of credit provision, which required contracts to be procured and implemented by country, thereby necessitating parallel contracts for single activities. Moreover, three credits and a grant with cross-effectiveness conditions meant that the project would proceed at the pace of the slowest, especially in the early years of implementation. Fourth, limited capacity in the myriad implementing entities meant that more time than foreseen would be required to undertake the necessary preparations, including recruiting and training project managers, coordinators, accountants, procurement specialists, and project implementation teams. Fifth, some of the risks were seriously underestimated. Those associated with resettlement were rated only as moderate. Key risks such as coordination of procurement and implementation and fiduciary compliance were overlooked or underemphasized. Sixth, there were important weaknesses in M&E design (see Section 10a below).

Quality-at-Entry Rating

Moderately Unsatisfactory

b. Quality of supervision

There were significant shortcomings in supervision. The Bank's supervision effort was, perforce, focused on a heavy load of civil works preparation, contracting and oversight, since these tasks proved to be largely beyond the capacities of the ministerial staff in the four countries in the light of their lack of experience. Addressing this through on-the-job training during implementation would likely have enjoyed only limited success given the magnitude of the task and the Bank supervision resources available. To a large extent, difficulties in supervising the non-railway related activities reflected the size, scope and complexity of the task, though in some cases more effective remedial action could have been taken.
The most important weaknesses, however, concerned the railways. First, although the initially inadequate support for the complex and difficult resettlement process (see Section 11a below) was increased significantly overtime, less than one-third of the expanded resettlement program had been completed by closure. Second, according to the Bank task team, the skill mix of the supervision teams was, from the outset, inadequate for supervising the commercial and operational dimensions of the railway concessions, and hence the PRGs. This was, of course, compounded following the 2011 Level 1 restructuring, which limited future Bank intervention in the railways to resettlement, retrenchment and pensions, while leaving intact the responsibility for supervising the PRGs. Third, it had become clear in the early days of the concessions that "the original projections were grossly over-optimistic and that the financial framework provided for the railways' functioning was inconsistent with economic and financial efficiency" (ICR, page 23). The Bank was less than fully proactive in addressing these issues, which arguably called for a radical simplification through restructuring that could have allowed stakeholders to focus on a narrower range of more precise and more realizable objectives. Fourth, insufficient attention was paid to ensuring the

consistency of arrangements for financing transport infrastructure with the need for intermodal competition. Supervision could have focused much more on enhancing the ability of the railways to capture from road transport the traffic for which it would have a comparative advantage. The question has, for example, been raised as to whether the Bank could have obtained, as a condition for the PRGs, "a written commitment to pricing and costing approaches consistent with fair competition between the modes" (ICR, page 23). Fifth, supervision of the railway related activities was also undermined by the uneven sharing of information between Bank and IFC staff. While the latter have full access to the Bank's operational data base, Bank staff have only limited access to IFC documents due to private sector confidentiality concerns.

Quality of Supervision Rating

Moderately Unsatisfactory

Overall Bank Performance Rating

Moderately Unsatisfactory

9. Assessment of Borrower Performance

a. Government Performance

On the positive side, all four Governments showed commitment – Kenya in supporting combined port community efforts to increase transport efficiency and reliability (the Mombasa Port Community Charter was launched in June 2014 by Kenya's President), managing import duty payments on a single customs territory basis, and attempting to find a solution (funded in part by a substantially increased counterpart contribution) for many thousands of people located in unsafe areas near the railway track; Uganda in financing the one-stop border post at Katuna side, which had been delayed by difficult environmental conditions; Tanzania by trying to implement the electronic single window; and Rwanda by taking timely action to become a member of East African Customs Union. All financial covenants were complied with.
However, the performance of all four Governments was characterized to varying degrees by lack of capacity, inadequate coordination, and high staff turnover in key agencies. There was frequently insufficient preparation for project activities. Due to lack of capacity, notably in procurement, there was general slowness in finalizing and managing contracts both for infrastructure works and consultancy services. In some cases, progress was further delayed by what the ICR (pages 25-26) describes as a "constant threat of corruption, involving also public servants, and [leading to] lengthy delays in the completion of bidding processes." At the Mid-Term Review in late 2008, all four countries were flagged for ''slow disbursement"--48 percent, 19 percent, 12 percent and 5 percent for Kenya, Rwanda, Uganda, and Tanzania, respectively. Even Kenya was substantially behind schedule, with nearly 90 percent of disbursements related only to retrenchment while the status of most other endeavors was similar to that in the other countries. While there was some recovery after the 2011 restructuring, several key activities, as noted above, remained incomplete at closure.

Government Performance Rating

Moderately Unsatisfactory

b. Implementing Agency Performance

In ***Kenya***, there were four original implementing agencies: (i) the Ministry of Transport and Infrastructure (MOTI), which, together with its parastatal, Kenya Railways Corporation, was responsible for about 90 percent of project expenditure in the country; (ii) the Ministry of Roads and Public Works (MORPW); (iii) the Kenya Revenue Authority; and (iv) the Kenya Ports Authority (KPA). At the 2011 restructuring, KPA was replaced by the newly established Kenya Trade Network Agency as implementing agency for the Port Community Based System. At the same time, responsibility for the one stop border posts was shifted from MORPW to the Kenya National Highways Authority. Both MOTI and KPA lacked qualified staff, while their old-fashioned office procedures impeded the meeting of deadlines. MOTI "was not an effective interlocutor with the Bank on project costs or results monitoring" (ICR, page 24), though later it collaborated more effectively with the Highway Authority in promoting wider use of Weigh-in-Motion technologies. KPA played an important early role in developing the single window and Port Community Charter, but was blamed for continuing traffic delays.

In ***Uganda***, the main implementing agency was the Ministry of Works and Transport (MWT), which worked closely with the Uganda Revenue Authority in customs-related matters. After a delayed start due to insufficient project-preparation and procurement capacities, MWT effectively managed the combination of funding sources and established, at Malaba, the conversion of an old-fashioned border post into a one stop border post. Expansion of mobile weighbridges and WiM installations was limited but effective as far as it went. The Ministry developed jointly with RVR an inland container depot at Mukono.

In ***Tanzania***, the institutions under the Ministries of Transport, Works, and Finance, were responsible for most of the project components, with coordination and follow-up handled by the Surface and Marine Transport Regulatory Authority (SUMATRA), Implementation was slow. Less than one-third of Tanzania's IDA credit had been disbursed by the beginning of 2013, the eighth year since Board approval. Although the speed of implementation quickened after this, the national single window had not materialized by2013, when TMEA stepped in with assistance. Similarly, the major works implemented for upgrading and modernizing vehicle weight controls were not carried out until 2013-14 under contracts let by the Tanzania National Roads Agency.

In ***Rwanda***, the main implementing agency was the Rwanda Transport Development Agency (RTDA), operating under the auspices of the Ministry of Infrastructure. The Agency suffered from an acute shortage and high turnover of qualified staff. Consequently, decision making and action regarding the upgrading of the Gatuna border post into a one-stop facility suffered serious delays. Construction had still not begun by closure. Over a quarter of the IDA grant to Rwanda could not be spent and had to be cancelled.

Implementing Agency Performance Rating

Moderately Unsatisfactory

Overall Borrower Performance Rating

Moderately Unsatisfactory

10. M&E Design, Implementation, & Utilization

a. M&E Design

Most indicators in the results framework were already being regularly collected prior to the project by the ports or national revenue authorities and the relevant ministries. The selection of these indicators helped to unify definitions among participating countries and aimed to improve the capture of issues such as container dwell-time at port, or number of days required to cross a transit-country. Although most indicators were quantified and measurable, some -- such as "law effectively implemented"-- were not. However, most outcome indicators measured outputs, and some could not fully be attributed to the project (e.g., "Variance of transit time through the Northern and Central corridors is significantly reduced", "Reduce dwell time at the ports"). There was, moreover, little distinction between intermediate and final outcome indicators. In some cases baselines and targets were missing. There were some inconsistencies between the text of the PAD and the results Monitoring Table (PAD, pages 54-59).These deficiencies were to make evidence-based evaluation difficult.

Responsibility for M&E management was divided among several institutions, and there does not appear to have been an arrangement for overall cross-country coordination. The EAC Secretariat would mainly monitor the status of implementation of the Customs Union based on data supplied by participating countries. A specific monitoring framework would be put in place for border crossing based on the methodology employed in similar Bank-supported regional projects in Southeast Europe, while time release monitoring would rely on the World Customs Organization (WCO) methodology. The railway concession were to have monitoring mechanisms managed by a Joint Railway Commission to be established under the Interface Agreement concluded among Uganda, Kenya and the concession companies.

b. M&E Implementation

Particularly after 2009, additional institutions became involved in M&E -- the Northern and Central Corridor Authorities, Seamless Committees, and the Central Corridor Transport Observatory. Although the ICR reports that considerable data were collected, there is little indication of their reliability, of the methodologies used, or of the independence of the analyses. The Implementation Status Reports (ISRs) prior to the 2011 restructuring worked from a reduced set of indicators (the reasons for this are unknown), although some indicators were used that were not in the PAD's results framework. At the restructuring, efforts were made to improve the results framework but the main effect seems to have been that some indicators that were previously intermediate became outcome indicators, while others were shifted between objectives. Some indicators – for instance the WCO gauges for customs efficiency -- were dropped, though they remained relevant for the revised objectives. At the second restructuring in 2014, some indicators (e.g., some border crossing times) were dropped without explanation, although they were still pertinent for tracking progress.

c. M&E Utilization

Little information is provided on M&E utilization. The ICR (page 13) states that "potentially one important outcome of the Monitoring and Evaluation effort in connection with the project has been the extent to which it has encouraged broader community initiatives in the same direction, generating at least the possibility of wider and stronger commitment by all the parties involved in a service to fulfil their part in the total." The

example is given of the commitment and participation of the Kenya Port Authority, Revenue Authority and Bureau of Standards, with strong support from TMEA and the Shippers' Council, and of the wide variety of private users, in fulfilling the objectives of the Mombasa Port Community Charter.

M&E Quality Rating

Modest

11. Other Issues

a. Safeguards

Environmental Safeguards

The project was classified as Category B for purposes of environmental assessment at appraisal. This was changed to Category A at the 2011 restructuring to reflect the risks emanating from the expanded resettlement, and the consequently increased possibility of environmental degradation in the high density slum areas. Most environmental issues were linked to the rail activities. The concession companies were required to have health and safety officers and to produce an Environment Management Plan. At the 2011 restructuring, the cultural property safeguard (OP 4.11) was triggered.

The ICR did not report on compliance with either OP 4.01 or OP 4.11. In the last ISR (May 27, 2015), the environmental compliance rating was moderately satisfactory, but there is no evidence available concerning completion of the planned environmental mitigation activities nor is there any independent review of environmental safeguards compliance.

Social Safeguards

According to the PAD (page 40), resettlement action plans (RAPs) were prepared as part of the due diligence for the rail concessions in Kenya and Uganda. The most serious risks were mainly in or near Nairobi, where dense informal settlements were dangerously close to the railway line. The original scope of the resettlement provided for a right of way of 10 meters from the side of the tracks. A 2009 train derailment involved loss of human life, and was one of the main factors prompting the government decision to widen the no-access area at the side of the tracks. By January 2011 a new RAP had been prepared replacing the previous 10 meter right of way with one of 40 meters, 20 on each side of the tracks and the resettlement of those households and other buildings within the next 10 meters on each side for a total work area of 60 meters. Substantial changes to the security infrastructure were also incorporated into the RAP, including a nine meter high wall between the settlements and the tracks. This was the main reason for the Additional Financing provided at the time of the 2011 restructuring, the change in railway-related project objectives, the environmental reclassification of the project from B to A, and a three year extension of the closing date. A World Bank Lead Social Development Specialist was placed in Nairobi to oversee the resettlement process, and a Resettlement Management Unit was established and staffed by the Kenyan Government.

Implementation of the revised RAP was subject to severe delays. In addition to the usual procurement-related issues, the costs continued to escalate, and the Government was reluctant to commit more funds. There were further settlements on sites that had been set aside for new construction. Many thousands of additional project-affected persons and owners of unaccounted-for structures had to be verified. In order to assist in the provision of basic utilities, other World Bank units needed to become involved. There was a difference of opinion between the Bank and the Government concerning the entitlements of absentee and

multiple structure owners. Whereas Bank policy requires compensation to be provided to any owners or occupants of properties taken over for public purposes, the Government did not wish to compensate those who had profited from illegal building and leasing. The issue was finally resolved by compromise, but not before it had contributed significantly to the delays. By closure, only 30 percent of the expanded RAP had been implemented. An addendum was agreed by which Bank monitoring would continue until January 2017, and the Government established an escrow account of some US$860,000 from the IDA credit to Kenya. As already noted, the resettlement process was still ongoing in January, 2017.

b. Fiduciary Compliance

<u>Financial Management</u>

The ICR did not report on fiduciary compliance with regard to financial management. The last ISR (May, 2015) rated financial management satisfactory. According to information subsequently provided by the task team, there were no major issues, despite the fact that some institutions in Tanzania and Rwanda had not worked with the Bank before. The task team reports that all financial covenants were complied with, interim financial reports were submitted without significant delay, and external audit opinions of project accounts were unqualified.

<u>Procurement</u>

Delays and cost overruns arising in part from serious procurement shortcomings caused several activities to be dropped from IDA financing. The ICR (September 27, 2016, page 14) reports that the Borrowers/Recipient did not always follow the Bank's procurement guidelines, or secure approval from the Bank for specific steps during the procurement process These issues were frequently addressed by finding alternative financing sources. Despite the problems, procurement was rated satisfactory in the last ISR. There were no reported cases of misprocurement.

c. Unintended impacts (Positive or Negative)

Not applicable.

d. Other

Not applicable.

12. Ratings

Ratings	ICR	IEG	Reason for Disagreements/Comment
Outcome	Moderately Satisfactory	Moderately Unsatisfactory	Lack of clear evidence and attribution of efficacy in the

			non-railway activities, negligible achievement of original, and modest attainment of revised, railway objectives; modest efficiency.
Risk to Development Outcome	Modest	Substantial	Financial risks to the railways and risks related to resettlement are substantial.
Bank Performance	Moderately Unsatisfactory	Moderately Unsatisfactory	---
Borrower Performance	Moderately Unsatisfactory	Moderately Unsatisfactory	---
Quality of ICR		Modest	---

Note
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 are taken from the ICR with some adaptation of language.
1. A clear lesson is that the design of any project, but particularly on a regional scale, needs to be realistic in terms of what can be achieved within a defined project period. Moreover, full account needs to be taken of what can be expected from other external partners. Steps to attainment need to be clearly mapped out, ideally by the appraisal stage. The sheer scale and complexity of this project contributed in a deleterious way to both implementation and outcomes. It would have been more appropriate to focus on either the trade and transport facilitation activities, or the railway activities, or develop distinct, but linked, projects as part of the same program. Subordinating realism to internal Bank considerations, such as saving transaction costs by reducing the number of separate projects, or concerns over too many projects in one sector, is also likely to be counter-productive. Due Management attention to what the task team believes to be achievable can be helpful. In this case, the team’s misgivings about including the railway concessions in the project did not find an echo in Management decisions.
2. Financing regional activities remains problematic for a sovereign lender. Several project activities were delayed, and some eventually dropped, since funding could not be found to undertake either the preparatory or the construction work because the issue of trans-border financial responsibility could not be resolved. Most borrowers are unable to use their IDA resources on the territory of another state, with the result that work must be contracted separately on each side of the border. These issues might be resolved through a regional fund focusing on the delivery of improvement of cross border infrastructure, or potentially regional public goods.
3. A different approach to resettlement is needed under circumstances such as those found in the project. The project adopted the standard linear approach to resettlement typically applied to a road or rail investment to ensure safety and operational efficiency. In complex informal settlements such as Kibera and Mukuru, such an approach is difficult to apply. The area to be resettled was part of an integral urban fabric. Treating the required resettlement as a slum upgrading initiative would have better respected the complex

social, economic and political dynamics of such settlements. The context in the settlements is one of volatile governance, weak or informal institutions, insecurity and a vulnerable population, and requires continuous monitoring and adaptation to that situation. This requires more than just compliance with OP 4.12, which is normally limited to addressing the specific needs of project-affected persons. Resettlement can be more appropriately treated as an interaction with an entire community.
4. There is scope for improving the collaboration between the World Bank and the IFC. Sharing of information was uneven between the World Bank and IFC, which contributed to the limitation of effective and efficient collaboration. IFC staff had access to the World Bank Operational Portal. Bank staff, on other hand, had very limited access to IFC documents due to private sector confidentiality concerns, despite IDA's supervisory responsibilities with regard to the PRGs.

14. Assessment Recommended?

Yes

Please explain

A more detailed evaluation of this project could yield many useful lessons for the design and implementation of regional initiatives, whether in the transport or other sectors, and whether in Sub-Saharan Africa or elsewhere. Moreover, an assessment would enable project outcomes – in particular through the impact of activities that were incomplete at closure -- to be re-examined in more detail, while giving deeper consideration to attribution issues.

15. Comments on Quality of ICR

This ICR is detailed, well thought out and candid. Lessons learned are valuable, analytical and solidly based on the experience of designing and implementing the project. However, there are a number of shortcomings, which, taken together, are significant. First, there are several less than completely substantiated claims and statements in the analysis of both efficacy and efficiency. Second, the issue of attribution is not fully confronted – some expected outcomes are said to have been achieved, although the activities leading to these outcomes did not materialize through the project, or remained incomplete at closure. Third, there is an important internal inconsistency in that the ICR rates outcome in the satisfactory range, while both Bank and Borrower performance are rated in the unsatisfactory range. Fourth, there are departures from the guidelines – in the case of a split evaluation, relevance of objectives and of design should be separately assessed for each set of objectives; M&E should be evaluated under the three headings of design, implementation, and utilization; there is little consideration of the degree of compliance with the environmental and cultural property safeguards (the latter having been triggered at the 2011 restructuring); and there is almost no discussion of the financial management dimensions of fiduciary compliance. Fifth, more clarity on some issues would have been helpful – for example: What is the precise status of the one-stop border posts that were planned under the project (and the role of other development

partners, such as the Japan International Cooperation Agency, in support of the posts)? Why was a separate project for the railway activities seen as a "potential risk" to the concessions? What were the reasons for the change in environmental classification from "B' to "A" (*prima facie*, the only significant safeguard-related change at the restructuring concerned resettlement [OP 4.12] and not environmental assessment [OP 4.01])? How was M&E organized and coordinated across countries (a very important dimension of regional projects)? Why is government performance in both Kenya and Uganda rated moderately unsatisfactory when the supporting text is almost entirely positive? On a more minor level, Borrower performance is rated moderately unsatisfactory in the Data Sheet (Table C.2) but moderately satisfactory in the text (paragraph 102) – the Data Sheet is presumably correct since both Government and Implementing Agency performance are rated moderately unsatisfactory in three of the four countries. Some of the acronyms (for example, TANCIS) are not explained.

a. Quality of ICR Rating

Modest