1. Country and Sector Background

**Uganda’s Economy:** Uganda’s per capita income (2008 figure) is about US$330. Life expectancy at birth is about 50 years and population growth at about 3.2 percent remains one of the highest in world. Nevertheless the country’s firm commitment to poverty reduction as spelled out in the Poverty Eradication Action Plan (PEAP) and the World Bank’s and other Development Partners’ (DPs) contribution brought the country closer to reaching the Millennium Development Goals. GDP growth is estimated to have slowed to 6.2 percent in 2008/09 from the projected 8.1 percent due to the global recession. The growth for FY2009/10 is projected at 6 percent. In the short term, the gaps in transport infrastructure, poor condition of the high priority national road network and high vehicle operating costs will continue to impose a key challenge and limit the prospects for faster economic growth in Uganda.

**Transport Infrastructure:** Uganda’s transport infrastructure comprises road, rail, water and air transport. The road infrastructure, which provides for over 90 percent of passenger and freight traffic, comprises 10,800 km of national (trunk) roads, 27,500 km of district roads, 4,300 km of urban roads and approximately 30,000 km of community access roads. National roads, of which 2,600 km are paved, connect districts with one another and the country with its neighbors. They are a responsibility of the central government and are managed by the Uganda National Roads Authority (UNRA). Urban roads are all those roads of different types (bitumen, gravel and earth surface) that are located within the boundaries of urban councils and are under the responsibility of urban local governments. District roads and Community Access Roads provide access from the rural areas to markets, health centers, educational institutions, administrative centers and other services and are the responsibility of the district governments. Uganda’s road transport
infrastructure also serves as transit corridors linking the land-locked neighboring countries of Rwanda, Burundi, southern Sudan and parts of eastern Democratic Republic of Congo (DRC) to the Indian Ocean ports of Mombasa and Dar-es-Salaam. For further details see Annex 1.

**Government’s Transport Policy:** The government’s 2002 National Transport Policy and Strategy (NTPS) hinges on the promotion of cheaper, efficient and reliable transport services as the means of providing effective support to increased agricultural and industrial production, trade, tourism, social and administrative services. The NTPS places emphasis on the provision of a technically sound, economically justified and financially sustainable transport infrastructure through the active participation of the private sector. MoWT, being responsible for policy formulation, is in the process of updating its NTPS to identify regulatory gaps, setting out priorities for policy reforms, and preparing a draft memorandum for discussion at cabinet level.

**Road Sector Development Programs:** In 1996, the Government of Uganda (GoU) with the assistance of development partners formulated the first 10-year (1996/97-2005/06 Road Sector Development Program (RSDP-1) at an estimated cost of US$1.5 billion dollars. In April 2002, RSDP-1 was updated and rolled over to the second 10 - year RSDP-2 (2001/02 to 2010/11) and was estimated to cost US$2.28 billion. A mid-term review of RSDP-2 was carried out in 2007/08 to assess the pace of implementation as the reforms that were started in 1996/97 had run for 10 years. The findings and lessons drawn of RSDP-2 have been used in the preparation of the third 10-years RSDP-3 (2009/10 2018/19) estimated to cost US$4.462 billion (see annex 1). RSDP-3 includes the cost of institutional development and capacity building of UNRA/MoWT (US$256 million), development and improvement of national roads (US$2,605 million), rehabilitation and maintenance of national roads (US$720 million) and district, urban and community access (DUCAR) roads (US$881 million). The proposed Transport Sector Development Project (TSDP) is intended to support a three year time slice (2010/11 to 2012/13) of RSDP3 aimed at improving the sector performance through contributing jointly with other development partners in a sector wide approach. TSDP is intended to be first in a series of proposed transport sector projects that would support individually three year rolling plans of the overall road transport investment and reform program.

**Transport Sector Budget:** The GoU embarked on an ambitious program to scale up interventions in the roads sector in FY 2008/09. This program has been maintained in FY 2009/10 and focus has been placed on building new stock of infrastructure as well as maintaining the roads to enable higher economic growth. A review of the transport sector budget FY09/10 and the National Budget Framework of FY09/10 to FY13/14 reveals that total planned transport sector expenditures in FY09/10 is UGHS1,134 billion (US$560 million equivalent, of which US$178 million would be from development partners). This represents 16.5 percent of total GoU expenditures. The planned allocation for road maintenance in FY09/10 is UGHS 251 billion of which UGHS 136 billion is for national roads, UGHS 88 billion for district roads and another UGHS 27 billion for urban roads. If indeed this amount is going to be forthcoming and spent, expenditures for the road transport infrastructure could be judged as adequate.

**Transport Sector Reforms:** It is the government’s vision that MoWT focuses on policy formulation, strategic planning, and sector oversight, and monitoring, and outsources executive functions, including regulatory functions, to specialized entities which have been, or are being
created, as follows: (i) UNRA responsible for the management of national roads which commenced operations on July 1, 2008; (ii) a Road Fund (RF) responsible for funding of maintenance of all roads, planned to be fully operational by July 1, 2010. The source of revenues for RF will be road user’s charges including fuel levy, license fees and other charges. It is expected that the RF will generate revenue of US$127,000 to meet the maintenance requirements of US$120 million for the entire road network of which US$70 million will be utilized on national roads. During the 2008 Joint Transport Sector Review (JTSR) meeting it, was agreed that the next focus of reform would be to create a NRSA and to outsource the regulatory functions of the MoWT by creating the proposed Multi-Sector Transport Regulatory Authority (MTRA). DPs have been supporting the development of road safety policy but it has not yet been implemented due to lack of institutional capacity and funding constraint. The current road safety council does not have any statutory powers and therefore has not assisted in reducing road accident fatalities. It is therefore critical to set up NRSA. More details on the above and other cross-cutting issues such as urban transport management, construction industry and safeguards are given in Annex 1.

2. Objectives

The project development objective is to improve the connectivity and efficiency of the transport sector through: (i) improved condition of national road network; (ii) improved capacity for road safety management; and (iii) improved transport sector and national road management. The Results Framework including key performance indicators, baseline data and arrangements for the results monitoring is shown in Annex 3.

3. Rationale for Bank 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. The GoU as well as Development Partners have increasingly acknowledged and recognized the Bank's key role during the implementation of the Road Development Program (RDP) and its participation in the annual JTSR. The Bank also benefits from the experience gained in implementing comprehensive road sector development programs in conjunction with institutional reforms in sub-Saharan Africa. The Bank's experience in road sector reforms in the region gained over the last fifteen years through its leadership of the Road Management Initiative (RMI), a donor-funded program under the Sub-Saharan African Transport Policy Program (SSATP) will provide an opportunity to share its knowledge and experience with the transport sector in Uganda. This has provided the GoU, development partners and the Bank a prospect of 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 reforms. The Bank's participation thus provides for continuity in carrying out sector dialogue and implementation of the long-term national road sector programs.
4. Description

**Lending Instrument**

TSDP is proposed to be a Specific Investment Loan (SIL), co-financed by DFID. This instrument has been selected as the most appropriate to support sector reform and capacity building, complemented by targeted infrastructure investment, all to be accomplished within a defined period of time. One of the lessons drawn in the Implementation Completion Report (ICR) for RDPP-2, was that it proved “difficult (in the framework of the Uganda Roads (APL) to draw up comprehensive long term reform programs and set intermediate targets for the achievement of reform steps”. A SIL was therefore considered the appropriate lending instrument to support concrete short term reforms that the government has decided upon, as well as capacity building and the development of the north-eastern road corridor.

Originally it was planned to continue the Roads Development Program with a fourth phase (RDPP-4). RDPP-4 was intended to finance the rehabilitation of district roads identified by the Ten Year District Road Investment Program with a credit amount of US$26 million. In the course of the implementation of the APL program it was however found that the financing of district roads should be “mainstreamed” in the government’s recurrent and development budgets, and that DP would rather focus on capacity building (including capacity for the management of local roads) and on large investments in the national road networks. When RDPP-3 faced large cost overruns it was intended for a while that RDPP-4 would be reshaped to finance such overruns. However, during a bi-lateral meeting between MoWT and IDA in October 2008, it was decided that cost overruns and works that, as a consequence of these overruns, could not be financed by RDPP-3 could now be financed by GoU due to its increased road sector allocation. It was therefore agreed that the proposed RDPP-4 would be dropped and that IDA would support a new series of projects named the TSDP that would jointly with other development partners support the government’s Road Sector Development Program. Accordingly, TSDP supports a three year slice (FY11 – FY13) of the GoU’s third Road Sector Development Program (RSDP-3). TSDP would be co-financed by DFID who will support the capacity building components of TSDP (components C, D and E). Other DPs will contribute through parallel financing and the project will be conducted in a sector wide framework.

**Project Components**

**Component A: Upgrading/rehabilitation of National Roads (US$161.4 million).** This component will finance the upgrading of Gulu to Atiak (Atiak – Nimule will likely be financed by the Japanese International Corporation Agency (JICA) and Vurra-Arua to Oraba roads (total of 168 km) linking northern Uganda with the Sudan and north eastern DRC from gravel to bituminous standards. The draft detailed engineering design and bidding documents for these two roads have been prepared and procurement of works and supervision services in on-going. It planned to award these contracts by July 1, 2010. This component will also finance the preparation of design and bidding documents for the reconstruction of the Tororo to Soroti and the Lira - Kamdini - Gulu roads, which would be financed by a proposed follow on TSDP-2.
This would help to ensure that the entire northern corridor from the Kenya to the Southern Sudan and DRC borders would eventually be paved and in good condition.

Component B: Enhanced Road Safety (US$4.2 million). In preparation of this component it is planned that a consultant financed by the Global Road Safety Facility (GRSF) will be employed from August to October 2009. In time for the 5th JTSR meeting during the week of October 19, 2009 the consultant will prepare a draft road safety policy and strategy and a draft law for the creation of a NRSA. It was agreed with GoU that the creation of the NRSA is a priority and Government will endeavor to make it operational by the beginning of FY10/11. NRSA is planned to be funded by the Road Fund (with about $2m per annum). This component will provide some start up funding for road safety related activities. Also, it will provide financing for making the police’s crash data base operational.

Component C: Preparation of a Kampala Urban Transport Project (US$ 3.2 million). A Public-Private Infrastructure Advisory Facility (PPIAF) trust fund of US$267,000 has been solicited by the WB to finance a pre-feasibility study for the establishment of a BRT system in the Greater Kampala Metropolitan Area (GKMA). The study will commence in August 2009 and is scheduled for completion in December 2009. Based on the study a stakeholder and decision workshop is planned before end of 2009. The pre-feasibility study will prepare TOR for the preparation of design and bidding documents for the BRT infrastructure in the selected corridor in GKMA, draft bidding documents for the bus operators, fare collectors and fund managers, CBD traffic management and parking studies, a bicycle path master plan, as well as a draft law for a Greater Kampala Metropolitan Area Transport Authority (MATA).

Component D: Support to MoWT (US$12.3 million). This component would assist MoWT to focus on its core functions namely policy setting, strategic planning, sector oversight and monitoring, and to spin off some of its responsibilities to newly created entities under its umbrella. There will be the following sub-components: (D1) strengthening of the policy and planning division through updating of the sector policy, review of the sector legal framework and introduction of a Transport Sector Data Management System (TSDMS); (D2) assistance to put in place the proposed MTRA; (D3) assistance to DUCAR after it has been transformed into an Agency (legal advice will be sought as to how this can be done); and (D4) other support to MoWT through TA, studies, equipment and training.

Component E: Support to UNRA (US$17.1 million). This component would include (E1) the improvements/refurbishment of regional offices of UNRA, (E2) provision of additional TA to the one already being procured under EC financing, (E3) the financing of various studies needed by UNRA to enhance its performance, (E4) the provision of training, (E5) the provision of office equipment and supervision vehicles, and (E6) the financing of incidental operating cost due to UNRA as the proposed Project Implementing Unit (PIU) of TSDP.

5. Financing
Source: ($m.)
BORROWER/RECIPIENT 0
International Development Association (IDA) 190
Total 190
6. Implementation

Partnership Arrangements

The proposed TSDP would be co-financed by IDA (US$190m) and DFID (US$8.0m equivalent). It would support jointly with parallel funding from other DPs a 3-year time slice (2010-12) of the GoU’s 10 year (2009-19) RSDP-3 in a sector wide framework. A GoU led coordination mechanism is in place with annual JTSR meetings and quarterly performance reviews, where progress against the plans set at the JTSR is reviewed and discussed with the sector stakeholders. Furthermore, to monitor and coordinate the reform process in general and the RSDP, a Steering Committee (SC) was set up within the Ministry of Finance, Planning and Economic Development (MoFPED) consisting of its Permanent Secretary/Secretary to the Treasury as Chairman and officials from the Ministry of Public Service (MoPS) and MoWT, and representatives of DP as members. Key functions of the SC include (i) monitoring the overall corporate efficiency of UNRA; (ii) coordination planning and implementation of the RSDP program; (iii) monitoring and evaluation of RSDP performance and updating components of the Public Investment Plan (PIP); (iv) monitoring and guiding the transition of the Road Agency Formation Unit (RAFU) to UNRA; (v) approving appropriate road sub-sector policies; (vi) conducting technical and financial audits; and (vii) organizing donor consultative meetings. The SC is supported by a full time Coordination Unit (CU), which is also its secretariat with roles of (i) program information management; (ii) performance reviews; (iii) updating of the RSDP; (iv) guidance of transport sector studies; (v) preparation of quarterly and annual progress review reports; and (vi) dissemination of information.

A joint institutional support framework has been prepared jointly with the EC, DFID, DANIDA and IDA that would provide sector institutional support for the period 2009-14 for up to USD$59 million. with the following institutions: (i) MoWT, including DUCAR – US$18.9m; (ii) the Road Fund (RF) – US$4.5m; (iii) UNRA – US$25.3m; and (iv) the Local Construction Industry (LCI) – US$10.3m. Total required support is to be contributed as follows: European Commission plans to provide US$11.9m (Euro 9.1m), DFID US$16.7m (€11.7m), Danish International Development Agency (DANIDA) US$2m (DKK 10m), and WB US$28.4m. A joint assessment framework (JAF) was agreed upon to assess the outcome of the institutional support program. To monitor the performance of TSDP, it is planned to hold annual joint review meetings. The JAF agreed upon is attached under Annex 1.

Institutional and Implementation Arrangements

Project Implementation: The overall responsibility for project implementation will be with the Uganda National Roads Authority (UNRA). The Executive Director (ED) of UNRA will be the “Accounting Officer” for the project, assuming overall responsibility for the project funds. The ED will delegate the function of the day-to-day management of the project to the TSDP
Project Coordinator within UNRA. UNRA will however implement the project fully “mainstreamed” which means that it will not set up a specific project implementation unit but will work through its existing directorates. UNRA will directly implement components A, and E, and MoWT component D. For the implementation of component B, a stakeholder oversight committee will be established, the secretariat of which will be in UNRA and the chairperson will come from Kampala City Council (KCC) - for details see Annex 6). The same will apply for Component C with the NRSC providing the chairmanship and with Uganda Traffic Police and MoWT as members. UNRA will be overall responsible for the following: (i) procurement of goods, works and consulting services, (ii) project monitoring, reporting and evaluation; (iii) working with IDA and DFID and (iv) financial management, record keeping, accounts and disbursements. UNRA will ensure efficient coordination among different departments of MoWT that will participate in the implementation of project activities. UNRA will also liaise with other main stakeholders in the sector including, but not limited, to National Environment Management Authority (NEMA), participating Ministries and agencies. UNRA will also constitute the operational link to IDA and other co-financiers on matters relating to the implementation of the project.

**Procurement Arrangements:** UNRA will procure all the contracts financed under the Components A, B, C and E and will oversee the procurement process of contracts that are procured by other entities (MoWT and Police). Under the previous projects, the procurement functions were carried out by RAFU and the following weaknesses were observed: (i) detailed engineering designs were not reviewed professionally and this resulted in substantial modification in design and work quantities during the execution of contracts; (ii) weak monitoring as the contract management system was not able to raise red flags to senior management that resulted in cost overruns, contractors’ claims and substantial delays in the completion of contracts. Under the proposed TSDP, these capacity constraints will be addressed through: (i) provision of technical assistant to UNRA in the area of procurement and contract management; and (ii) strengthening of the monitoring unit of UNRA which will have a capability of collecting data on the physical and financial progress of each contract and provide warning signals to senior management for taking corrective measures. An assessment of the capacity of UNRA for managing the procurement function was carried out and an action plan to address issues identified has been developed and agreed upon (see Annex 8).

**Financial Management and Auditing:** The financial management arrangements used for TSDP will be based on those used for the current RDPP-3 and the past IDA financed projects. The project financial management would be strengthened by the following factors: (i) the accounting personnel are adequately qualified and experienced; (ii) the project is a follow-on project of previous IDA financed credits (RDPP-1, -2, and -3) the staff is being retained; (iii) the staff is conversant with the World Bank financial management and disbursement guidelines; (iv) UNRA is using Pastel Accounting software which can produce the Financial Monitoring Reports; and (v) adequate Financial Management Manuals are already in place. The flow of funds and the accountabilities for financial reporting are described in Annex 9.

7. **Sustainability**
Crucial for the sustainability of the transport sector program is that MoWT enhances its policy setting, strategic planning, oversight and monitoring role and assists the various executing entities to perform their duties. For the sustainability of the road sector program improvement of maintenance performance is important. This will require timely and stable availability of maintenance funding, institutional capacity and implementation capacity of the private sector. In the past when maintenance of the national roads was under the MoWT, the quality of maintenance was mixed as the maintenance budgets were unpredictable and fluctuating and as a consequence planning was difficult and the local construction industry did not develop adequately. It is expected that with the Road Fund which is planned to be fully operational by July 1, 2010 the situation will improve. For FY09/10 an amount of UGHS 268 billion (US$127 million) has been budgeted for the road fund. This is assessed as broadly adequate for the maintenance needs of the country’s road network.

8. Lessons Learned from Past Operations in the Country/Sector

The following lessons learned from the implementation experience of RDPP-1, -2, and -3 have been reflected in the design of TSDP:

**Technical Assistance:** TA should have clear objectives of building local capacity with measurable outputs in a specified time. In designing a technical assistance program, it is critical to evaluate the knowledge, skills, talents and competencies of national counterpart professionals as well. Failure to do that in past TA programs has led to a waste of resources and failed capacity building programs. UNRA plans to employ a specialist who will focus on monitoring the various TA and who will report directly to the Executive Director of UNRA.

**Policy and Institutional Reforms:** In the past policy and institutional reforms took much more time than anticipated. One of the reasons for this delay was that no intermediate benchmarks were set up and agreed with GoU. The sector reforms which are being proposed under TSDP and implementation schedules are being agreed with GoU and the achievement of their progress will be jointly reviewed at the annual JTSR meetings and the intermediate progress review meetings.

9. Safeguard Policies (including public consultation)

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<tr>
<td>Projects in Disputed Areas (OP/BP 7.60)*</td>
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* By supporting the proposed project, the Bank does not intend to prejudice the final determination of the parties' claims on the disputed areas
10. List of Factual Technical Documents

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