I. Project Context

Country Context

Uganda’s Economy and Social Context. Uganda, located in Eastern Africa, is a landlocked country with an area of 236,040 square kilometers. With a population size of 34.1 million, the country has recorded a high population growth rate of 3.2 percent per annum. Growth rate of the annual gross domestic product (GDP) averaged seven percent in the 1990s, and accelerated to more than eight percent for over a consecutive seven-year period up to 2007/08.

Starting from 2009/10, a combination of exogenous shocks and domestic factors, such as the global economic crisis, bad weather, and surges in international commodity prices, affected the country’s growth rate. Subdued export performance, decline in aid (following high-profile corruption cases), high inflation, and the subsequent tightening of the monetary policy to restore macroeconomic stability reduced GDP growth to 3.4 percent in in FY 2011/122.
Uganda turned in a noteworthy economic performance during FY 2012/13, helped by good macroeconomic policy and favorable weather conditions. Real GDP at constant market prices grew by 5.8 percent. The strong economic growth over the past two decades has enabled Uganda to substantially reduce poverty as the proportion of people living in poverty falling from 56 percent in 1993 to 24 percent in 2010. Uganda has surpassed the 2015 Millennium Development Goal of halving the poverty rate. The share of population living below the poverty line has come down to 22 percent in 2013. The overall decline in poverty can be attributed to subtle diversification of economic activity away from over-reliance on the farm, to nonfarm household enterprises.

Country’s Development Plan. Uganda’s National Development Plan (NDP) (2010/11-2014/15) stipulates the country’s medium-term development priorities and its implementation strategy. The NDP has highlighted low levels of investments in infrastructure as a key constraint to growth. The transport sector, especially roads, is a high priority of the NDP. Investments in road connectivity (including rehabilitation of major transport corridors) are seen as essential for economic development, agricultural productivity, and poverty reduction.

Regional Integration and Trade. Uganda is the land “bridge” for the rest of the Great Lakes region, connecting a number of landlocked neighbors to the coastal countries. The East Africa Community (EAC) regional integration agenda is also partly driven by Uganda’s active economic and trade performance. Uganda’s trade with its neighbors has more than doubled from about 20 percent of GDP in 1990 to over 42 percent by June 2010. The volume of trade increased by the type of goods in transit, both by destination and sources of trade, particularly with South Sudan. The efficiency of the transit traffic performance in the major road corridors is critical for supporting and sustaining competitive international trade in the sub-region. This calls for addressing infrastructure bottlenecks and non-physical trade barriers that hamper smooth flow of traffic for people and goods.

Sectoral and institutional Context

Uganda’s Transport System. Uganda’s transport system includes road, rail, water and air transport. Road transport is the most dominant mode and plays a pivotal role in supporting the economic and social development of the country. Road transport carries over 90 percent of the country’s passenger and freight traffic and provides the only means of access for the rural population. The road infrastructure also serves the transit corridors linking the land-locked neighboring countries of Rwanda, Burundi, South Sudan, and parts of the Democratic Republic of Congo (DRC) to the Indian Ocean port of Mombasa, Kenya. The classified road network length is about 66,000 km and consists of 21,000 km national, 32,000 km district and 13,000 km urban roads. The community access road network is estimated at 85,000 km. Other modes of transport are: (a) a railway system that consists of 1,260 km of which only 320 km are functioning, while the rest are in a dilapidated state; (b) water transport mainly on Lake Victoria and Nile river served by wagon ferries; and (c) air transport facilities including one international airport, and 13 domestic air fields.

National roads, of which 3,490 km are paved, connect districts with one another and the country with its neighbors. The Uganda National Roads Authority (UNRA) is responsible for managing national roads. The urban roads, located within the boundaries of urban councils, are of different types (bitumen, gravel and earth surface) and are managed by urban local governments. District roads provide access from rural areas to markets, health centers, educational institutions, administrative centers and other services and are managed by district governments. The community roads are managed by sub-county local governments. The national roads, which make up only 30
percent of the network, carry 80 percent of the total road traffic.

National Transport Policy and Strategy (NTPS). The NTPS, adopted in 2002, promotes less costly, efficient, and reliable transport services as a means of providing effective support to increased agricultural and industrial production, trade, tourism, social and administrative services. The Government of Uganda (GoU) has received support from development partners (DPs) in the sector. The first 10 year Road Sector Development Program (RSDP-1) covered the period from 1996/97-2005/06. In April 2002, RSDP-1 was updated and rolled over for a second 10 years as RSDP-2 (2001/02 to 2010/11) and its total estimated cost was increased from the original US$1.5 billion to US$2.3 billion. The update included district roads, which were not part of RSDP-1. Based on the lessons learned in the implementation of the two phases of the program, the Government, with support from DPs, has developed an ambitious RSDP-3 program which also includes urban roads with a total proposed investment requirement of US$10.36 billion over the ten year period from 2011/12 to 2020/21. RSDP-3 places emphasis on the provision of a technically sound, economically justified and financially sustainable road transport infrastructure through active participation of the private sector. In order to adequately and timely respond to the growing transport demand, support the national economic development, and the growing regional trade in a sustainable manner the RSDP has prioritized the rehabilitation of maintenance of the major road corridors. One of the key corridors included in the RSDP is the north eastern corridor.

Institutional and Policy Reforms. The GoU has restructured the Ministry of Works and Transport (MoWT) to focus on formulating policies, setting standards, strategic planning, and sector oversight and monitoring. The Government has been delegating executive functions, including implementation and regulatory functions, to specialized entities which have been or are being created. Accordingly, UNRA was established to manage national roads and it commenced operations on July 1, 2008. The Uganda Road Fund (URF) was established to finance road maintenance and it became fully operational on July 1, 2010. The ongoing reform is focusing on the creation of: (a) a National Road Safety Authority (NRSA) that will lead road safety initiatives; (b) a Multi-Sector Transport Regulatory Authority (MTRA) to take care of surface transport regulation; (c) Uganda Rural and Urban Roads Authority (URURA) to manage rural and urban roads; and (d) a Metropolitan Area Transport Authority (MATA) to manage the proposed bus rapid transit system in the Greater Kampala Metropolitan Area (GKMA). The GoU is also committed to privatize and commercialize functions that can be transferred to specialized service providers to enable the public sector to concentrate on its core responsibilities.

Key Sector Issues. Although reforms to-date has substantially enhanced sector performance, there are a number of areas that need further attention. The September 2013 annual review of the transport sector points some gaps in transport infrastructure, poor condition on some of the high priority national road network, and high vehicle operating costs (VOC). The operationalization of the URF as a second generation maintenance financing instrument has not yet materialized, leading to maintenance activities being underfunded. Poor road designs have in some instances led to major variations and increased the cost of works contracts making the programming and budgeting for roads difficult. Furthermore, over the last few years, there have been delays in payments to contractors and consultants under Government-funded projects primarily due to over commitments in the road sector. These issues have stretched the contract management capacity of UNRA as it has to deal with a number of claims under the contracts due to variations, extension of time, and delayed payments.
Perception of corruption is high in Uganda. At the sector level, the third annual report on tracking corruption trends in Uganda points out the challenge of achieving value for money (VfM) in the roads sector. The report noted that up to 85 percent of the road works were not implemented as scheduled. Delayed release of funds for district road works by MoFPED and URF, insufficient funding, inadequate capacity of contractors, machine breakdowns, as well as delays in the procurement process were the main reasons cited for slow implementation of district road works.

Road Asset Management: The focus of investment in the past was geared towards road development, and road maintenance was underfunded. Furthermore, there was no systematic long term Road Asset management practice in UNRA. The backlog of periodic maintenance on the national paved roads had increased from about 450 km in 1998/99 to about 750 km in 2011/12. There was a need to address this situation that led to the reduction of the paved road assets value by about 10 percent annually. The Bank has supported the establishment of a Road Asset Management System (RAMS) for the national road network under the ongoing Transport Sector Development Project (TSDP) and the completed third support to the RSDP. The rationale for an asset management mainly lies on preserving the road asset from deterioration through cost-effective, efficient, and well-designed interventions. The RAMS was based on a strategy that is designed to increase the effectiveness and efficiency of the road system through the preservation of the road asset. It also aims at the optimal allocation of resources, to clear road maintenance backlog and ensure VfM principle and avoid the “build and collapse” practice observed on the road assets. Although the RAMS was made operational the benefits could not be fully utilized due to challenges and constraints facing UNRA.

There is a shortage of staff and specialized expertise, in some of the emerging and complex areas of infrastructure delivery such as managing private-public-partnerships (PPP), and design-build, maintain, operate and transfer (DBMOT). Other constraints include the lack of defined procedures and standardize output base contract management processes, and the mainstreaming of such systems and procedures within UNRA.

Road Asset Management Contracts. In support of its strategy to mainstream road asset management practices, the GoU is introducing innovative road asset management contracts, under the North Eastern Corridor Road Asset Management Project (NECRAMP). The DBOMT asset management contracts are named Output and Performance-based Road Contracts (OPRC) following the name of the bank’s sample Bid Document. This contracting approach reduce the risks related with poor road design, quality control, and cost overruns as the contractor will be responsible for the design of the road and payments would be on a lump sum basis for a predefined level of performance and output. The OPRC will introduce a new way of doing business shifting from the more traditional approach of admeasurement contracts, which is based on payment for inputs, a method that has not been budget friendly due to variations. OPRC contracts, on the other hand, promote innovation, efficiency and effectiveness as contractors strive to achieve set performance standards with an optimally agreed contract price. OPRC also helps to preserve the road asset by protecting it from further deterioration through application of appropriate and timely interventions. This, coupled with the institutional support to be provided to UNRA under the NECRAMP, will improve the efficiency and effectiveness of the road network management, and will bring about the culture change to deliver the benefits of the RAMS.

Rationale for World Bank Involvement. The World Bank brings in global experience in the application of OPRC. The Bank has also benefited from the experience gained in implementing
comprehensive road sector development programs and institutional reforms in Sub-Saharan Africa. In Uganda, the Bank's key role during the preparation and implementation of the RSDP has been well recognized by all stakeholders. The Bank had funded three completed projects in support of RSDP, and another ongoing project, the TSDP which has funded, among others, institutional transformations in MoWT and the establishment of RAMS. The Bank's participation in this new project will provide for continuity in carrying out sector reforms and implementation of long-term national road sector programs, using innovative approaches.

II. Proposed Development Objectives
The PDO is to reduce transport costs, enhance road safety, and improve and preserve the road assets sustainably by applying cost effective performance based asset management contracts, along the Tororo - Kamdini road Corridor.

III. Project Description

Component Name
Introduction of OPRC on a Priority Road Corridor

Comments (optional)
This component will finance long term OPRC for the Tororo - Mbale - Soroti - Lira - Kamdini road (340 km).

Component Name
Institutional Support to UNRA

Comments (optional)
Institutional support to Uganda National Roads Authority to enhance its road asset management capacity and system.

IV. Financing (in USD Million)

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<td>Total Project Cost:</td>
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<td>Total Bank Financing:</td>
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For Loans/Credits/Others

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V. Implementation
The project will be implemented by UNRA, which is the Recipient’s legal authority responsible for the national road network, established as an entity with its own legislation and operating under the supervision of the MoWT. Proceeds of the credit will be availed by MoFPED to UNRA as a grant. The Executive Director (ED) of UNRA will be the “Accounting Officers” for the project. The ED of UNRA will delegate the function of the day-to-day management of the project to NCERAMP Project Coordinator within UNRA. UNRA will implement the project fully “mainstreamed” through their existing systems. UNRA has established Directorates for: (a) Planning a unit responsible for planning, programming, budgeting, designing, and social and environment management, monitoring and evaluation; (b) Projects a unit responsible for implementation of construction and rehabilitation works; and (c) Operations a unit responsible for maintenance and operations. As the implementation of the OPRC will cut across the functions of the three Directorates, the project coordinator will be
working with specialists assigned from the different Directorates. The details of the working arrangements will be provided in the Project Implementation Plan (PIP). UNRA will prepare a Project Implementation Plan (PIP) acceptable to IDA, which is a condition of effectiveness.

UNRA has been implementing various Bank and other donor financed projects and has a well-established Finance unit to manage the proceeds of the IDA credit. UNRA will maintain the designated account and will ensure compliance with all financial requirements of the project. UNRA will be responsible to present consolidated progress reports and consolidated unaudited Interim Financial Reports (IFRs) to IDA in a timely manner.

The procurement function will be executed by the Procurement Directorate. As this unit has been recently elevated to a Directorate, the TSDP is financing the positions of one procurement consultant (who is also the acting Director of Procurement), and one procurement specialist. These positions have been instrumental in building capacity of the procurement unit and helping bridge the under staffing gap. In order to ensure adequate procurement capacity for NECRAMP, it will be important to continue with such support until staff of equivalent caliber has been recruited.

VI. Safeguard Policies (including public consultation)

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Comments (optional)

VII. Contact point

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