FINAL PROJECT PROPOSAL

FOR THE PROPOSED

SUDAN

EMERGENCY TRANSPORT AND INFRASTRUCTURE DEVELOPMENT PROJECT

(SETIDP)

December 12, 2005
Final Project Proposal
Sudan Emergency Transport and Infrastructure Development Project

<table>
<thead>
<tr>
<th>Applicant:</th>
<th>The Government of Southern Sudan</th>
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</thead>
<tbody>
<tr>
<td>Brief Description:</td>
<td>Emergency Transport and Infrastructure Development Project to address immediate basic needs in the transport and urban infrastructure sectors and provide for institutional development and capacity building.</td>
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<tr>
<td>Project Development Objective:</td>
<td>The project development objective is to rehabilitate and develop critical road and transport infrastructure, improve critical urban infrastructure in the major towns of Southern Sudan and build capacity for planning, construction and sustainable operation, maintenance and management of the infrastructure.</td>
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<tr>
<td>Sector:</td>
<td>Transport and Urban Development</td>
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<tr>
<td>Location:</td>
<td>Southern Sudan.</td>
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<tr>
<td>Total Project Cost:</td>
<td>Total – US$777 million of which MDTF US$250 million and GOSS US$527 million equivalent including US$4.5 million from USAID.</td>
</tr>
<tr>
<td>Implementing Agency (ies):</td>
<td>Formerly Secretariat for Physical Infrastructure and Town Planning and now the Ministry of Roads and Transport (MRT) and Ministry of Housing, Lands and Public Utilities (MHLPU) through a Project Management Team (PMT), with project coordination and oversight under an inter-ministerial Project Steering Committee (PSC).</td>
</tr>
<tr>
<td>Implementing Period for the Project</td>
<td>January 2006 to December 2010.</td>
</tr>
<tr>
<td>Contact for further information</td>
<td>Dr. Daniel Wani, Head, Secretariat for Physical Infrastructure and Town Planning, Juba. (Cell phone 0733 684714, Email <a href="mailto:wanijuba@yahoo.co.uk">wanijuba@yahoo.co.uk</a>)</td>
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SUDAN- GOVERNMENT FISCAL YEAR

CURRENCY EQUIVALENTS
(Exchange Rate Effective as of ________________)

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<thead>
<tr>
<th>Currency Unit</th>
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<tbody>
<tr>
<td>US$1.00</td>
<td>250 Sudanese Dinars</td>
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ABBREVIATION AND ACRONYMS

<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Description</th>
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<tbody>
<tr>
<td>CMC</td>
<td>Contract Management Contractor</td>
</tr>
<tr>
<td>ERRP</td>
<td>Emergency Road Repairs Program</td>
</tr>
<tr>
<td>EA</td>
<td>Environmental Assessment</td>
</tr>
<tr>
<td>EIA</td>
<td>Environmental Impact Assessment</td>
</tr>
<tr>
<td>ESMF</td>
<td>Environmental and Social Management Framework</td>
</tr>
<tr>
<td>FM</td>
<td>Financial Management</td>
</tr>
<tr>
<td>FMR</td>
<td>Financial Management Report</td>
</tr>
<tr>
<td>GOSS</td>
<td>Government of South Sudan</td>
</tr>
<tr>
<td>HR</td>
<td>Human Resource</td>
</tr>
<tr>
<td>IEC</td>
<td>Information Education and Communication</td>
</tr>
<tr>
<td>INAR</td>
<td>Infrastructure Needs Assessment Report</td>
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<tr>
<td>IPMA</td>
<td>Interim Project Management Arrangement</td>
</tr>
<tr>
<td>IDP</td>
<td>Internally Displaced Persons</td>
</tr>
<tr>
<td>IPAA/PAA</td>
<td>Interim Project Accounting Agent</td>
</tr>
<tr>
<td>MSA</td>
<td>Management Services Agreement</td>
</tr>
<tr>
<td>MOF</td>
<td>Ministry of Finance</td>
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<tr>
<td>MHLPU</td>
<td>Ministry of Housing, Lands and Public Utilities</td>
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<tr>
<td>MRT</td>
<td>Ministry of Roads and Transport</td>
</tr>
<tr>
<td>MA</td>
<td>Monitoring Agent</td>
</tr>
<tr>
<td>MDTF</td>
<td>Multi- Donor Trust Fund</td>
</tr>
<tr>
<td>OPBRC</td>
<td>Output and Performance Based Road Contract</td>
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<tr>
<td>PIM</td>
<td>Project Implementation Manual</td>
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<tr>
<td>PMT</td>
<td>Project management Team</td>
</tr>
<tr>
<td>PSC</td>
<td>Project Steering Committee</td>
</tr>
<tr>
<td>RAP</td>
<td>Resettlement Action Plan</td>
</tr>
<tr>
<td>RASS</td>
<td>Road Agency of South Sudan</td>
</tr>
<tr>
<td>SETIDP</td>
<td>Sudan Emergency Transport and Infrastructure Development Project</td>
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<tr>
<td>SIA</td>
<td>Social Impact Assessment</td>
</tr>
<tr>
<td>TA</td>
<td>Technical Assistance</td>
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<tr>
<td>TAST</td>
<td>Technical Assistance Team</td>
</tr>
<tr>
<td>UNDP</td>
<td>United Nation Development Program</td>
</tr>
<tr>
<td>UNMAS</td>
<td>United Nation Mines Action Service</td>
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<tr>
<td>UNMIS</td>
<td>United Nation Mission in Sudan</td>
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<tr>
<td>USAID</td>
<td>United State Agency for International Development</td>
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<td>WB</td>
<td>World Bank</td>
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<td>WFP</td>
<td>World Food Program</td>
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Vice President: Nankind Gobind
Country Director: Ishac Diwan
Sector Manager: C. Sanjivi Rajasingham
Task Team Leader: George Banjo
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A.  STRATEGIC CONTEXT AND RATIONALE

1.  INTRODUCTION

1.   With an area of 2.5 million square kilometers, Sudan is the largest country in Africa and the 9th largest in the world, sharing borders with 9 other countries. However, Sudan’s transport network and other key infrastructure, both within the country and linkages with its neighboring countries for trade and transit, are highly inadequate for a country of its size. Similar is the condition of urban infrastructure almost in all the towns of Southern Sudan, affecting living conditions, security and governance. Juba and the other major towns that together form the national and state capitals do not have adequate administrative buildings and accommodation to support government administration. Further, even the available road network has deteriorated as a result of a long civil war, budgetary cuts imposed for economic stabilization, and limited access to foreign capital and technology. Whereas in Northern Sudan there is a huge backlog of existing infrastructure that is largely in a state of disrepair, the situation in Southern Sudan is worse and typified by absence of basic transport and urban infrastructure and services. Added to this situation is the near absence of required policy and institutional frameworks and implementation capacity.

2.   THE JAM INFRASTRUCTURE NEEDS ASSESSMENT REPORT

2.   The Joint Assessment Mission (JAM) Infrastructure Needs Assessment (JAM INAR) was initiated in 2004 as part of efforts to define the strategy for meeting the priority development needs of Sudan once peace is established. This assessment covered eight infrastructure sub-sectors (i) roads and bridges; (ii) road traffic and transport; (iii) railways; (iv) inland waterways; (v) ports and maritime; (vi) electricity; (vii) civil aviation; and (viii) urban infrastructure and municipal services. It also covered cross-cutting issues such as implementation arrangements, environment, gender, de-mining and HIV/AIDS. Apart from responding to ordinary production and consumption needs, given Sudan’s recent experience, the assessment identified the need for infrastructure development to respond to peace-keeping operations, distribution of relief goods, return of refugees, urgent rehabilitation needs and, more generally, contribute to the cohesion of the country. Key constraints identified in responding to the needs included (i) inadequate implementation capacity; (ii) ensuring adequate capacity to maintain and operate existing and new infrastructure; (iii) ensuring services match internationally recognized safety and security standards; and (iv) establishing clear priorities. The report identified these constraints as most present in Southern Sudan where the need to meet basic needs is greatest.

3.   The recommendations of the INAR\(^1\) are planned for implementation over six years in two phases. Phase 1, covering a two-year period, is aimed at meeting the most critical needs whilst Phase 2 is aimed at scaling up of infrastructure improvement activities and deepening of policy and institutional development and capacity building activities. It points out that investments in infrastructure would lead to (i) economic growth and poverty reduction by increasing access to human and economic services in support of agriculture, trade and industry; (ii) contributing to job creation; and (iii) promoting multiplier effects across the country and regions through investments that would follow the development of infrastructure.

4.   Given the critical and basic need for infrastructure improvements in Southern Sudan, it has been agreed that the Phase 1 recommendations of JAM INAR be implemented as an emergency

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\(^1\) Joint Assessment Mission Cluster 6 on Infrastructure, Draft Final Report, March 18, 2005.
operation and the Phase 2 recommendations using more conventional procedures. Lessons from Africa-wide experience with emergency operations show that those that are simple in design, focus on only a few areas of development and thus avoid complexity and are implemented by a single empowered agency, have usually performed better than multi-sector complex projects involving multi-agency execution. Given the urgency attached to making an impact on the situation on the ground,

3. KEY DEVELOPMENT ISSUES

5. Roads and transport: The strategic objective of the GOSS for the roads sub-sector, which is regarded crucial for achieving key overall development goals are to (i) to link all its major towns that are assuming roles as either national or state capitals and these with the national capital Juba and thus achieve inter linkages between key population and production centers; (ii) improve connectivity between Northern and Southern Sudan; and (iii) establish adequate transport connections with its neighboring countries to access a market of 300 million people.

6. This strategic objective derives from the severe isolation from which Southern Sudan suffers mainly due to poor transport infrastructure and services. This isolation impacts adversely on the economy, security situation and governance. It causes costs of all imported commodities to be high, internal distribution of imports and local produce difficult and costly, thus hindering development prospects. It also deprives Southern Sudan of access to a regional market of over 300 million people. Insecurity and the need for mine clearance also delays reconstruction and development efforts of not only the transport infrastructure but in other sectors as well. De-mining activities have also been affected by lack of effective Government presence and inadequate law enforcement, which again results from lack of access necessary for conducting good public administration and of funding. Costs of road works in Southern Sudan are high, and the funding requirements to bring the road and other transport infrastructure to a minimum acceptable level are huge and beyond the capacity of the Government as well as one single operation. Besides, due to institutional weaknesses and funding constraints, maintenance and management of infrastructure is a major concern. Over the period of conflict, the road sector in Southern Sudan has witnessed serious erosion of the institutional capacity of the implementing agencies. These would require considerable strengthening as the present institutions are not in a position to effectively and efficiently implement a major roads program.

7. Achieving adequate connections to a regional market and reducing the transport cost associated with import and export of goods through its nearest port access, Mombasa in Kenya, requires that the road links with Kenya and Uganda be in good conditions which is presently not the case. Actions are thus also needed to improve these road links and improve transport and trade facilitation.

8. Urban development. For its major towns and settlements, the strategic objective of GOSS is the restoration and or provision of basic urban infrastructure and services in order to: (i) facilitate national and state governments administrative capacity; (ii) improve living conditions; and (iii) provide the basis for smooth reception of Internally Displaced People (IDP) through implementation of appropriate town planning actions. Driving this strategic objective is the near absence of basic urban infrastructure (e.g. water and sanitation, roads and drainage, power supply houses and administrative buildings) in these towns which contribute to the observed high incidence of water borne diseases and malaria and low economic and social activities. Without early improvements as evidence of the coming of recent peace, social stability and cohesion would be threatened with the attendant risk of a return to conflict. The expectation is that much of
the IDPs from the North will aim to settle in urban areas; likewise, those displaced within South Sudan. Coping with this large scale relocation of people requires that town plans be urgently prepared so as to be able to locate the returnees in an appropriate manner within the major towns. The ongoing Strategic Urban Planning exercise for the 11 major towns in South Sudan, being undertaken under GOSS financing, will be expected to lay the required foundation for urban planning to meet the challenge of accommodating the returnees and provision of sustainable services.

9. **Institutional development and capacity building.** The over two decades of civil has greatly depleted available capacity for development both within the public and private sector. Government institutions and structures have to be newly created and made functional and private sector capacity for even relatively small scale economic activities is not to be found. These two factors are significant constraints on development.

10. The overwhelming need for immediate improvements to basic infrastructure and services to enable other development efforts to take place requires that emergency procedures be adopted in responding to the situation on the ground. Indeed, an inadequate quick improvement to basic infrastructure and services is a threat to peace and national cohesion.

4. **RATIONALE FOR MDTF INVOLVEMENT**

11. The MDTF for the South was established to help finance the reconstruction and development of Southern Sudan. It is a collaborative framework which brings together several of Sudan’s key development partners and provides a one stop point of contact and information on the reconstruction and development effort for those of its partners providing assistance outside of the MDTF framework. It is therefore an efficient way for Sudan to ensure good coordination of the development assistance it receives.

12. Implementation of a project such as that proposed requires experience in the identification, preparation and provision of implementation support to major development projects. It also requires an ability to undertake necessary policy dialogue to gain consensus on key policy issues within government and its development partners and to assist in defining the necessary implementation strategies and programs. Crucially, it also requires an institutional framework that facilitates coordination of donor efforts and provides access to lessons of experience in emergency development operations. The MDTF through its organizational and operational processes provides a framework that should lead to efficient coordination of policy dialogue and the reaching of consensus on priorities thus facilitating effective use of resources. Through selection by GOSS of the World Bank as the Administrator of the MDTF, a wealth of experience in large scale infrastructure operations and available relevant lessons of experience are brought into the operations of the MDTF. The Bank is also used to working with other donors and thus should be able to effectively link MDTF activities with those of other development partners of GOSS such as the United Nation Development program (UNDP), United States Agency for International Development (USAID) and the World Food program (WFP) who have been active in Southern Sudan for some time mainly on activities related to humanitarian assistance and implementation of the Emergency Road Repairs Program (ERRP). Moreover, through its programs in Sudan’s neighboring countries, the World Bank and thus MDTF would be able to take fully into account and respond to the regional inter-linkages of Sudan. The World Bank is already involved in the road sector in Sudan’s several neighboring countries with policy advice, institutional development, reform assistance and road construction. It would, therefore, be in a position to coordinate this assistance, as needed, with the proposed project. Likewise in the
implementation of follow on projects relating to Phase 2 of the JAM INAR recommendations, especially with the leveraging of needed resources.

B. SUDAN EMERGENCY TRANSPORT AND INFRASTRUCTURE DEVELOPMENT PROJECT

1. INTRODUCTION

13. Against the background of the above lessons of experience and the situation on the ground, the proposed project has been identified with the full involvement of representatives of the GOSS (first in the Secretariat for Physical Infrastructure and latterly in newly created Ministry of Roads and Transport – MRT- Ministry of Housing, Lands and Public Utilities – MHLPU); GOSS key development partners such as USAID and WFP have also participated actively. Recognizing the overwhelming need for immediate infrastructure improvements as a key contributor to securing the peace and the low capacity for development, implementation and coordination of major projects, the consensus has been that the identified project should have interventions relating to both transport and urban infrastructure. However, to achieve simplification, a phased approach has been agreed to the implementation of the identified project with each phase focused on a narrowly defined set of activities, either by geographic area, size or relative simplicity of implementation. Each phase will be prepared and implemented in parallel and with no pre-determined fixed time between them, the key consideration being need and funds availability. The project design allows for the possibility to split the project into separate transport and urban infrastructure projects depending on experience with implementation and institutional development and capacity building efforts during the first phase.

2. PROJECT DEVELOPMENT OBJECTIVE

14. The project development objective is to rehabilitate and develop critical national and rural feeder roads and transport infrastructure, improve critical urban infrastructure in the major towns that form the national and state capitals of Southern Sudan (i.e. Juba, Wau, Malakal, Rumbek, Aweil, Warap, Yei, Yambio, Torit, Bor and Bentiu) and build capacity for planning, construction and sustainable operation, maintenance and management of the infrastructure in Southern Sudan.

3. PROJECT DESCRIPTION

15. The proposed project has three components implemented in three phases:

Component 1: Roads and Transport Development. This component provides for the phased repair, rehabilitation, reconstruction and maintenance of high priority national and rural feeder roads to all weather gravel or paved standard.

Phase 1: Activities under this phase will consist of: (i) emergency accessibility improvements of about 100 Km of tracks and seasonal roads to provide all weather road access, the maintenance of about 820 km of already improved roads and de-mining of the roads to be improved, (ii) road upgrading to all weather gravel standard - about 250 km of roads under a OPBRC contract under which the contractor will carry out works relating to right of way clearance, de-mining, road building and road maintenance, the latter for a period of about 4 years.
Component 2: Basic Urban Infrastructure Improvements. This component will provide for the rehabilitation of basic urban infrastructure and services (priority government/public administrative buildings and houses, water supply, sanitation, urban roads and drainage and power supply) in the 11 towns that form the national and state capitals of Southern Sudan, namely, Juba, Wau, Malakal, Rumbek, Aweil, Warap, Yei, Yambio, Torit, Bor and Bentiu; and the establishment of a town planning and land administration institute in Juba phased as follows:

Phase 1: Juba immediate infrastructure rehabilitation. This phase will consist of immediate rehabilitation of basic infrastructure and services in Juba to allow it function involving: (i) rehabilitation of priority Government/Public Administrative Buildings and Houses, Hospital Infrastructure and provision of prefabricated Accommodation; (ii) rehabilitation of water supply system of Juba including installation of distribution network and installation of packaged water treatment plants in strategic locations; (iii) rehabilitation/installation of liquid and solid waste management systems (collection, treatment and disposal); (iv) rehabilitation and improvement to the network of 60 km of urban roads in Juba to paved (bitumen) standard including the drainage system and street lighting; and (v) augmentation and strengthening of street lighting for Juba.

Component 3: Institutional Development and Capacity Building: This component support institutional capacity building (Technical Assistance and policy studies) and program implementation, including costs associated with oversight and management of program implementation (including Technical Assistance support team and supervision of works), monitoring and evaluation and the preparation of activities for implementation in the different phases of the Project.

Phase 1: Activities during this phase will include: (i) supervision of the roads to be constructed under Component 1; (ii) provision of Technical Assistance & policy support to the MRT and MHLPU; (iii) conduct of baseline survey for the establishment of a monitoring and evaluation framework; (iv) formulation of an Information, Education, & Communication (IEC) strategy; (v) provision of consultancy services to carry out feasibility, Environmental Impact Assessment (EIA), and Social Impact Assessment (SIA) studies, as well as, detailed design and/or design review for road works to be included under Phases 2 and 3; (vi) formulation of feeder roads development strategy and plan; (vii) preparatory activities for scoping of the infrastructure rehabilitation in the remaining State capitals as was done for Juba; (viii) study for housing development and financing; and (ix) preparation of a regional development plan.

4. PROJECT COSTS AND FINANCING

16. The size of the proposed project has been agreed with the GOSS taking due regard to need, funding availability and capacity constraints at the start of implementation. It is a base case scenario given the huge infrastructure needs of Southern Sudan; alternative scenarios if funding were to be available indicate financing needs of between US$911 million and US$1,127 million. Contribution by MDTF and GOSS is closely aligned with the agreed funding ratio of one to two. Whilst the allocation for Phase 1 is firm, upward or downward adjustment for the subsequent phases is possible depending on progress with implementation and funding availability. Eligible expenditures under the project will be financed 100% from the total project proceeds. The GOSS contribution in Phase 1 may reduce by US$4.5 million if expected assistance from USAID to GOSS of this amount comes through. This assistance is toward improvement of basic urban services in Juba, principally water supply.
Table 1  Project Costs by Component and Phase

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<tr>
<th>Item</th>
<th>Phase 1</th>
<th>Phase 2</th>
<th>Phase 3</th>
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<td>Component 2</td>
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<tr>
<td>Total</td>
<td>150</td>
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Table 2  Project Financing by Year and Source

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<td>GOSS</td>
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<td>MDTF</td>
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<td>120</td>
<td>250</td>
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<tr>
<td>Total</td>
<td>150</td>
<td>320</td>
<td>307</td>
<td>777</td>
</tr>
</tbody>
</table>

C. IMPLEMENTATION ARRANGEMENTS

1. Institutional and implementation arrangements

17. Project implementation period. The project will be implemented over the period January 2006 to December 2010 with the phases running in parallel. The projected duration of each phase is as follows: Phase 1 – January 2006 to June 30, 2007; Phase 2 – April 2006 to December 2008; and Phase 3 – January 2007 to December 2010. The midterm review is planned for before December 2007.

18. General. The implementation arrangements for executing the SETIDP have been designed to cater to the following key requirements of the proposed project.

- **Accelerated implementation** which in turn would require (i) a simple single line project coordination and oversight institutional arrangement; (ii) an empowered project management team (PMT) staffed by experienced and competent Sudanese professionals supported by a TA team of international experts, to be supplied by one reputable consultancy firm; (iii) implementation arrangement embedded in the Government formal structure, particularly the oversight and coordinating roles; (iv) PMT being designed to be subsumed into the future long-term institutional arrangements for institutional memory and retention of experienced local staff; and (v) simple decision making procedures, and simple work planning and procurement procedures to avoid delays.

- **Capacity building** (i) international experts besides providing technical advice and support, to also play a role in building capacity of the Sudanese professional in the PMT so that these professionals take over and manage program implementation by themselves after the international experts leave; and (ii) targeted training programs for government staff at policy and implementation levels based on training needs assessment study.
Building partnerships (i) implementation arrangements (institutional and operational) to be designed to promote strong linkages with participating donors; and development of arrangements allowing shared implementation of the various components/activities of the program; and (ii) sharing best practices with partners.

19. Overall. Since commencement of project preparation, GOSS has begun to establish its formal governmental structures and institutions. The former Secretariat for Physical Infrastructure and Town Planning with which project preparation started has now been split into two ministries, a Ministry of Roads and Transport (MRT) and a Ministry of Housing, Lands and Public Utilities (MHLPU). During appraisal, it was agreed that day to day implementation of project activities will be the responsibility of a fully empowered PMT staffed with Sudanese professionals supported by a Technical Assistance Support Team (TAST) to be provided by a firm. The PMT will report to an inter-ministerial Project Steering Committee (PSC). Since the Line Departments of the ministries are still in the process of getting established, and the PMT is expected to evolve into the Roads Agency as well as the core of a possible future Urban Development Agency, it will have responsibility for establishing and building core capacity for these two departments, including capacity in technical matters as well as in procurement and financial management. At the state level, project activities will be the responsibility of a state level PMT located in the state ministry responsible for physical infrastructure / engineering affairs. Whilst the PMT and TAST are being recruited, an Interim Project Management Arrangement (IPMA) is being established to have responsibility for the project.

20. Project Steering Committee. The PSC will oversee the activities of the PMT and will be the final decision making body with regard to policy and overall project implementation issues. It will also provide guidance on setting project priorities and approve the work plans and budgets of the PMT. It will also be responsible for donor coordination for road and other specified infrastructure works. Its members will include the Ministers/ Heads of the following ministries and or agencies: (i) Ministry of Finance; (ii) Ministry of Housing, Lands and Public Utilities; (iii) Ministry of Roads and Transport; (iv) Ministry of the Environment and Wildlife; (v) Ministry of Agriculture and Forestry; and (vi) Office of the Attorney General. The Head/ Project Manager of the PMT will be an ex-officio member of the PSC and the head of the Legal Unit of the PMT will serve as its ex-officio Secretary. The Chairperson of the PSC will be from either of the MRT or MHLPU with the other ministry acting as co-chair.

21. National level PMT. This PMT will be an empowered team mandated to implement the SETIDP so as to ensure the: (i) efficient management of the implementation of the project; (ii) proper and efficient coordination, monitoring and strategic programming of all project activities; (iii) accountability for the resources utilized in the implementation of the project by a small, efficient, highly professional, performance-oriented team applying accepted ‘good practice’ technical standards and fiduciary arrangements; (v) creation of systems and procedures that can be replicated in other projects; and (vi) achievement of capacity building and institutional development objective of GOSS in developing the infrastructure sector.

22. GOSS will delegate authority to the PMT for operational autonomy under a Framework Agreement which is being finalized by the Government in consultation with the World Bank. This Framework Agreement provides the overall institutional and organizational structure for
project management for SETIDP, and within it, the role, responsibility and process of operations of the empowered PMT, and its relationship with other key agencies including state level implementing agencies. It also describes role and functions of the IPMA.

23. The PMT will be headed by a Program Manager and will have two groups of technical staff implementing the Urban and the Road dimensions of SETIDP who will share common arrangements for support services with regard to project management, procurement, financial, environmental and social aspects as well as for the sector. The Roads Division of the PMT is envisaged to operate in such a way that it can metamorphose into the proposed Road Agency of Southern Sudan (RASS)—see below. The PMT personnel will be competitively selected by advert in regional and international newspapers based on competitive compensation packages under contracts normally of two year duration. Additional counterpart staff will be attached by GOSS to the PMT for capacity building purposes working under the competitively recruited staff.

24. In discharging its duties, the PMT will relate closely with other donors/implementing agencies such as the USAID (particularly active on roads development), UNMAS (on de-mining activities), UNMIS (on access for peace-keeping operations) and the WFP who are implementing the ERRP. The PMT will ensure that there is no duplication of efforts between the work being undertaken by it for building core institutional capacity for the infrastructure sector as a whole and the work being undertaken by USAID and other bilateral donors.

25. USAID is providing institutional development and capacity building assistance to GOSS, the key activities being (i) establishment of RASS; (ii) recruitment and training of staff; (iii) provision of essential infrastructure for the RASS; and (iv) support in road policy development. The PMT will work closely with the USAID capacity building contractor in these areas. The WFP has been improving road access to the most strategic locations in Southern Sudan through the ERRP with funding provided by the Governments of Canada, Italy, Japan, Netherlands, Norway, Switzerland, United Kingdom and the United States of America. Part of Phase 3 of the ERRP will be funded under the SETIDP. The PMT will therefore in its implementation of the SETIDP maintain close relationship with WFP.

26. State level PMT. The state level PMT will carry out functions and exercise powers similar to the national level PMT over project activities in the respective state. However, the national level PMT will have responsibility for procurement, and financial management arrangements and decisions relating to state level activities under the project. Fiduciary systems, (including financial rules and regulations), especially the ones relating to financial management, that will be implemented by the PMT and the TAST will be fully compliant with the directions of the Treasury of the Ministry of Finance.

27. Technical Assistance Support to PMT. The proposed TA support to the PMT will be provided by an International Consultancy/management firm. The original contract period for the TA will be two years. Annual performance review of the Firm will be done and the modalities of doing it will be stipulated in the TOR. Provision for tailored made short term trainings will also be provided as part of the TA. Capacity building activities under this TA will be synchronized with the ongoing support, by the Louis Berger Group under the USAID financed program, to establish the Road Agency. The TAST will be on a contract of two years. During this period when the Sudanese staff of the PMT are acquiring knowledge and experience in the application of World Bank Guidelines and in the management of large scale infrastructure projects, the TAST will be responsible for the establishment and
application of effective procurement and financial management systems and procedures by the PMT.

28. **Interim Implementation Arrangements.** Given the time required to establish the PMT, GOSS is establishing an Interim Project Management Arrangement (IPMA) for the interim period of 6-9 months during which it is expected to take for the PMT to be operational. The head of IPMA is being assigned by the GOSS and two short term TA are being recruited to assist and liaise with the specialists in the Ministry of Finance for the establishment of robust procurement and financial management systems respectively, including the finalization of the Project Implementation Manual and Project Procurement Plan. The short term procurement specialist will also assist the IPMA in the preparation of procurement requests for MDTF/World Bank no objections and train relevant Sudanese staff of the IPMA on the application of Bank procurement guidelines and procedures. The financial management support to the IPMA is planned to be provided by the Interim Project Accounting Agent (IPAA) in the Ministry of Finance. The IPAA is likely to be KPMG, as has been agreed between GOSS and the MDTF. The responsibility of the IPMA is to provide project accounting and internal auditing services for all MDTF or counterpart funds for a period of around six months, whilst more permanent arrangements are being made. Immediate financial needs of the IPMA have been identified and will be sourced from the project preparation advance made available from the Capacity Building Trust Fund.

29. **Role of other donors.** The project will be implemented in partnership with other donors/implementing agencies such as the USAID, WFP, UNMAS, and UNMIS who are currently active in the roads sector, and such other donors as may be participating in the urban infrastructure sector such as UNDP. The USAID is providing institutional capacity building assistance to GOSS through engagement of a Capacity Building Contractor. Through this assistance, USAID is expected to play a major role in meeting the institutional development and capacity building needs of the new ministry responsible for roads and transport including (i) the establishment of a Roads Agency for Southern Sudan (RASS); (ii) recruitment and training of the staff of the MRT and RASS when created; developing supporting systems and procedures including standards and procedures relating to roads including standard contract documents; (iii) provision of essential administrative and physical infrastructure for the ministry and RASS; (iv) development of use of labor-based methods; and (v) support in policy development. USAID also plans to recruit a construction management contractor (CMC) for executing works agreed to with GOSS and for procurement of goods. This support is currently expected to be of the order of US$50 million. These works will fall broadly within the priority areas included in this project. Agreement has been reached that planned and future activities of USAID relating to infrastructure, particularly in the roads and transport sector, will be coordinated with those under this operation through participation in SETIDP missions and their coordination and oversight by the PSC.

30. The WFP has since 2003 been implementing an Emergency Road Repairs Program (ERRP) on behalf of the GOSS. Phase 1 of the ERRP was completed in December 2004 and its Phase 2 is now under implementation and Phase 3 ready for implementation once funding is available. WFP has indicated its wish to withdraw from this type of activities by December 2006 to focus on its traditional role. To allow a non-disruptive withdrawal and to make use of its presence on the ground, it has been agreed that part of Phase 3 of the ERRP in the amount of US$30 million under the proposed project. The implementation of this part of the project will be by WFP.
through a Management Services Agreement (MSA) between GOSS and WFP. The detailed scope and content of the part of Phase 3 of the ERRP to be implemented under SETIDP was agreed with GOSS and WFP during appraisal. The MSA will specify the financial management arrangement regarding use of MDTF / counterpart funds and these terms will need to be acceptable to the MDTF. During appraisal, the Technical Assessment study of the lessons of experience from the ERRP was commenced. The initial findings have been discussed with WFP and agreement has been reached on ways of addressing them under Phase 3 of the ERRP and other road interventions contained in SETIDP.

2. PROCUREMENT ARRANGEMENTS

31. The PMT will be responsible for all procurement. This activity will be carried out in accordance with relevant World Bank Procurement Guidelines and Procedures for emergency operations. In the interim period before the PMT is established, the IPMA will discharge this function guided by a short term TA with knowledge and experience of Bank procurement guidelines and procedures.

3. FINANCIAL MANAGEMENT AND DISBURSEMENT

32. Financial management. This project has been assessed as a high risk project, given the weak institutional arrangements, the regulatory environment, the lack of capacity and the absence of financial rules and regulations. There is added fiduciary risk involved in this project, given its size, geographical spread and multiple contractual arrangements.

33. To mitigate this risk and to provide fiduciary assurance to GOSS and the MDTF, a streamlined disbursement procedure is being established in South Sudan. (i) A Project Accounting Agent (PAA) is being recruited to take responsibility for MDTF and counterpart funds. The PAA will be an integral part of the Treasury of the Government of South Sudan and will take responsibility for providing fiduciary assurance regarding use of these funds. (ii) Internal audit will also be the responsibility of the PAA. (iii) Expenditures will be monitored by the Monitoring Agent for the MDTF viz. Price Waterhouse Coopers (who are in the process of being appointed) and (iv) the project will be audited by an independent audit firm as per international standards on the basis of a TOR acceptable to the MDTF.

34. The PAA will be recruited through an international competitive bidding process which can take up to six months.

35. GOSS has recommended that KPMG be appointed to function as an Interim PAA. KPMG is likely to discharge this function starting December 2005 for a period of six months. This function includes establishing a system financial management system that is able to record, account for, and report on a timely basis all transactions through the accounts of the project and production of monthly and quarterly financial monitoring reports. The records, accounts, and financial statements of the project will be subject to an annual external audit by auditors acceptable to the Bank. The internal audit capacity of the PAA and the services of the Monitoring Agent will be used to effectively carry out physical progress monitoring activities in addition to the PMT’s internal reviews of all documentation and compliance with legal agreements for all expenditures relating to the project. KPMG will have responsibility for preparing and issuing the main Project Implementation Manual (PIM). It will also have responsibility for issuing project specific financial management addendums as required.
36. The specific implications of the above overall project accounting arrangements for SETIDP are the following:

(i) During the period of the first six months (starting December 2005) all project accounting and disbursement related work will be the responsibility of the Interim Project Accounting Agent viz. KPMG. The PIM will be prepared and issued by KPMG, after receiving concurrence from the MDTF. For SETIDP the project specific addendum will be finalized by the PAA in consultation with the PMT and the TA Support Team.

(ii) Given the weak institutional structure at present for both the line Ministries, the size of the expected fund flows and the wide geographical spread, the PMT and TA support team will take on responsibility for building capacity for putting in place effective fiduciary systems for these two Ministries. These systems will service not just the needs of the SETIDP but for the requirements of these two sectors as a whole - viz. roads and transport and urban development. All bilateral and multilateral sector support will need to pass through and be accounted by this FM unit. The PMT and TA Support team will in effect establish sub-Treasuries in these two Ministries and discharge this responsibility as per the direction and control of the Treasury of the Ministry of Finance, and the PAA. The financial management unit that will be established will therefore have dual responsibility – one to the project team and second to the Treasury and the PAA.

37. After having assessed the systems and HR capacity of this unit, the Treasury will delegate clearly defined financial powers to this unit which will be regularly monitored through monthly reporting arrangements as well as by MOF’s internal audit unit and the Monitoring Agent. There will be clearly defined benchmarks and responsibilities for building capacity of the local officials so that at the end of the two year period, the support provided by the TAST can be phased out completely.

38. Disbursement. There will be no Special Account for this project. The two project accounts to be opened will consist of one USD account located in a commercial bank in Nairobi and a second project account in local currency located in a commercial bank in Juba. MDTF and GOSS share of proceeds will disburse directly into the USD account located in Nairobi. Thus, there will be complete pooling of resources in this account. A Monitoring Agent (MA) for the MDTF is in the process of being engaged. The MA will have responsibility to monitor and report on the utilization of funds in this account including compliance with fiduciary standards and the reliability of the financial management systems. Disbursements from the MDTF would be on the basis of SOE, with the SOE thresholds being the same as the procurement prior review thresholds. Financial Monitoring Reports (FMRs), acceptable to the MDTF will be produced on a monthly basis by all project implementing agencies.

39. Retroactive financing. As permitted in OP8.50 on emergency recovery assistance, retroactive financing to a limit of 20 per cent of the project proceeds will be allowed to finance eligible expenditures incurred not earlier than three months before signing of the Grant Agreement or a Supplemental Agreement for either of Phase 2 or 3 of the project.

40. Internal auditing. The PAA will include an appropriately qualified staff to discharge the internal audit function.

4. MONITORING AND EVALUATION
41. Monitoring and evaluation of the project will focus on outputs as well as results, which will be carried out by project and contracted specialists. The project will make use of existing data sources, supplemented by regular routine project data collection, and special surveys and assessment updates carried out by contracted specialists. For this purpose key performance indicators have been identified and a baseline survey will be carried out early in the project for use to determine benchmarks. Apart from reporting on the project, the indicators and the reporting framework will be sufficient to meet the need to report on the project’s overall achievement in relation to the Results Matrix for the JAM INAR.

5. SUSTAINABILITY AND RISKS

42. The project faces several risks including exogenous risks. At the project level the first major risk is the lack of capacity and experience in managing large scale projects. This risk is being mitigated in two ways. First are the institutional and capacity building activities on-going under the USAID supported capacity building program which will help develop complementary systems, procedures, standards and policy guidelines for road administration and the implementation of road projects. The second approach is by the establishment of an empowered PMT staffed by experienced competitively selected specialists who will take charge of project implementation, while mentoring the local staff for capacity building. This concern is further addressed by the fact that the PMT would outsource civil works design and construction activities to the private sector available locally, regionally or internationally, and to the existing implementers already in place such as the WFP. Another limiting factor is the very weak presence and capacity of local private sector in Southern Sudan. Under the capacity building program supported by USAID, measures have been included to support the growth and capacity building of the private sector consulting and construction firms in Southern Sudan. Within SETIDP, a strategy will also be developed and implemented to attract and retain consultants and construction firms from within the region and beyond.

43. Another concern on coordinating the activities of multiple donors in the transport sector will be addressed by establishing appropriate coordination arrangements. At GOSS level the PSC will perform this role.

44. The construction of major road infrastructure under this project will make large scale mine clearance a high priority and on the critical path in most construction programs. To avoid delays and causes for claims, the general strategy proposed is to let the main road contractor be responsible for sub-contracting mine clearance. However, all risk assessment and clearance tasks shall be implemented in coordination with the UNMAS and its regional and/or local representatives.

45. General security risk, i.e. resumption of significant conflict within Southern Sudan, is a risk largely outside the control of the project. Such an event could however result in reduced interest by reputable international firms in doing business in Southern Sudan, cost escalation and, indeed cessation of works on on-going contracts. During appraisal, this issue was discussed with the government. To mitigate the impact of this risk, a pipeline of projects is being prepared such that should hostility prevent works in a particular part of the country, works can be initiated in other parts. Risks arising from social issues are dealt with in the next paragraph under “social issues”.

46. The project has the total commitment of the GOSS at all levels, political and administrative. The project has been formulated in partnership with other participating donors and in close collaboration with an inter-ministerial Government team, which has usually led the process of
conceptualizing the project design. As a result there is strong ownership on the part of GOSS. In collaboration with the USAID, steps have been taken to build capacity of the implementers; besides the Sudanese counterparts will be attached to the PMT to receive on-the-job training through learning-by-doing. Support is also being provided for policy development and strengthening implementing institutions. In respect of all assets to be built or rehabilitated with project funds, maintenance arrangements will be put in place. In the case of roads, this will be through incorporation of a maintenance period in the construction/rehabilitation/upgrading contracts for an interim period of about 4 years during which GOSS develops its institutional capacity to manage the road sector.

47. In the case of urban infrastructure, a maintenance strategy will be put in place comprising an mixture of (i) ensuring the availability of an adequate stock of spare parts and water treatment materials; (ii) inclusion of reasonable service periods; and (iii) maintenance by urban road contractors of the road network pending when private sector routine maintenance contractors can be developed.

D. ENVIRONMENTAL AND SOCIAL ASPECTS

48. The three components of the first two phases of the project involve road maintenance and upgrading, improvement of urban services covering roads, water and sanitation, solid waste, power supply and capacity building for project planning and management. Based upon available information, potential environmental and social impacts of these phases are likely to be moderate in scale, local in extent, easily identified, and readily mitigated and monitored. The third phase of the project involves the development of new roads as well as support to ancillary services as cited above. Accordingly, the program is expected to trigger safeguards policies on environmental assessment (OP 4.01), cultural properties (OPN 11.03, being revised as OP 4.11) and Involuntary Resettlement (OP4.12) and is classified as environmental impact category A. An Environmental and Social Management Framework (ESMF) will be prepared which, in accordance emergency operations processed under OP 8.50, will be completed by the Borrower, reviewed by the Bank and disclosed in the country and Infoshop within 6 months of effectiveness. The Framework will incorporate policies, regulations and guidelines for the selection and design of sub-projects and the planning and management of mitigation measures, monitoring and institutional responsibilities. Land acquisition for physical works will need to be undertaken under this Project. In order to ensure fair and transparent compensation, a Resettlement Policy Framework will be prepared to articulate the principles and procedures for land acquisition. As necessary, individual Environmental Assessments (EAs) and Resettlement Action Plans (RAPs) will be prepared, particularly for the new roads proposed under the third phase. To assist in this process, draft environmental guidelines have been prepared for the road sector and are currently under review by the Ministry of Environment, Wildlife Conservation and Tourism and USAID who are undertaking a Programmatic Environmental Assessment for the Road Rehabilitation Activities in Southern Sudan.

49. The Framework. Recognizing the emergency nature of the proposed program, an Environmental and Social Management Framework (ESMF) will be prepared incorporating policies, guidelines, and procedures for integration of safeguards into the implementation of World Bank administered and supported emergency reconstruction operations, including operations financed by Bank administered multi-donor trust funds. Consistent with existing national legislation, the objective of the Framework is to help ensure that activities under proposed reconstruction operations will:

- Protect human health;
- Prevent or compensate any loss of livelihood;
• Prevent environmental degradation as a result of either individual sub-projects or their cumulative effects;
• Enhance positive environmental and social outcomes; and,
• Ensure compliance with relevant safeguard policies.

50. Key principles shaping the ESMF will include:
1. The proposed program will support multiple sub-projects, the detailed designs of which may not be known at appraisal although the major environmental and social issues are understood by the nature of the sectors (roads, housing, etc). To ensure the effective application of the World Bank’s safeguard policies, the Framework provides guidance on the approach to be taken during implementation for the selection and design of subprojects, and the planning of mitigation measures, monitoring and institutional responsibilities;

2. Sub-projects supported in the first and second phases of the program with potential for significant environmental/social impacts are expected to be few. If any are identified (through the sub-project screening mechanism), sub-project environmental and/or social assessments (including RAPs) will be prepared and will be subject to review and approval by the Bank;

3. Activities under the third phase entailing the construction or installation of new or significantly expanded infrastructure, will include detailed/full environmental and social impact assessments (and RAPs) as required by Bank safeguard policies;

4. In projects which require consultations with local communities or beneficiaries, gender-separated consultations will be conducted to elicit the views of both the female and male populations; and,

5. Consultation and disclosure requirements will be adapted to meet the special needs of the program. Prior to approval by the World Bank Board, the Environmental and Social Management Framework will be disclosed in Sudan in English and Arabic, and in the World Bank Infoshop.

51. Responsibilities. Within each department or agency, a Safeguards Focal Point will be identified with specific responsibility for overseeing the implementation of the Framework and the EAs and RAPs as appropriate. Training will be conducted for Safeguards Focal Points and relevant staff of the concerned.

52. To assist in this capacity building, and to ensure the application of the Framework, the Project Management Team will include an Environment/Social Specialist (see TOR in Appendix). During supervision, the World Bank will assess the implementation of the Framework, and if required will recommend appropriate adjustments.

53. Consultation and disclosure. Proposed operations financed by the MDTF and Bank operations will support a number of feasibility and detailed design studies for future infrastructure investments, for which Bank safeguard policies relating to consultation and disclosure will apply. In particular, for environmental Category A and B investments proposed for future operations,
the implementing agency will consult project-affected groups and local NGOs about the program's environmental and social aspects, and will take their views into account. The implementing agency will initiate such consultations as early as possible, and for meaningful consultations, will provide relevant material in a timely manner prior to consultation, in a form and accessible to the groups being consulted.

54. **Social Issues.** Due to the security situation and time available for preparation, only limited interviews could be undertaken with stakeholders, including civil society organizations. However, the interviews yielded a number of post conflict issues such as lack of Government institutions, procedures, legally defined rights, continuing conflicts in some areas, grievances arising from perceived lack of inclusiveness and equity – all having the potential to undermine project activities. Social risks, largely arising from differential access to benefits, traditional rights and entitlements, adequacy of targeting mechanisms, and varying public perception of the project benefits will be addressed.

55. Under the Government’s HIV/AIDS program a technical assistance would be engaged to carry out the following activities with reference to the needs of SETIDP, unless an earlier study has already accomplished this task. These would include: identify vulnerable groups along key transport corridors; review existing HIV/AIDS activities in these corridors; supplement existing activities as needed; propose targeted activities to remove obstacles, if any; identify supplemental educational activities for emergency personnel; identify co-financing needs for HIV/AIDS-related interventions; define actions that will mitigate the risk of HIV/AIDS for transport workers, partners and affected communities; assist trucking associations to develop comprehensive HIV/AIDS and STI prevention and control programs for truck drivers and their families.

**E. PROJECT BENEFITS**

56. Increasing access of the key roads linking Southern Sudan’s main productive/consumption areas will substantially improve road transport operations. The project will provide a road network which is critical if Southern Sudan is to succeed in its policy of integration of its people, resettlement of displaced persons and stimulation of economic growth. Improving in parallel (i) the main transport corridors linking Southern Sudan with neighboring countries; (ii) inland water transport; and (iii) air transport; and (iv) railway link to the North, is important for movement of both low value and bulk freight and higher value and time-sensitive commodities. Without this project the recently maintained road network by WFP will be destroyed and a large part of the region will remain inaccessible.

56. Urban infrastructure and services in Southern Sudan are extremely inadequate. As a result, economic and social activities are quite low and take place at high cost. Moreover, they contribute significantly to the observed high incidence of water borne diseases, malaria and, generally, high incidence of poverty. Planned improvements to water supply and sanitation, power supply and the urban road network will all contribute to improving living conditions, reducing health risks, decreasing environmental hazards and reducing poverty levels. Rehabilitation and or provision of government administrative buildings and houses will contribute to improving government administration and thus the cementing of the peace.

57. The project is also to assist in building institutional capacity in the road sector and strengthening the road maintenance in Southern Sudan which are critical elements to developing a sustainable road system. Priority will be given to protecting the recently repaired roads under WFP from deteriorating. Any funds over and above the maintenance requirements will be channeled to improvement of the key road links.