Updated Project Information Document (PID)

Report No: AB214

Project Name	BURUNDI - ROAD SECTOR DEVELOPMENT PROJECT
Region	Africa Regional Office
Sector	Roads and highways (80%); General water; sanitation and flood protection sector (20%)
Theme	Infrastructure services for private sector development (P); Rural services and infrastructure (P); Trade facilitation and market access (S); Rural non-farm income generation (S)
Project	P064876
Borrower(s)	GOVT OF BURUNDI
Implementing Agency(ies)	NATIONAL ROAD AGENCY Address: Office des Routes - Bujumbura, Burundi Contact Person: Mr. Jean Ngendakuriyo, Directeur Général de l'Office des Routes. Tel: 257 - 22 09 59 Fax: 257 - 22 09 59 Email: odr@usan-bu.net
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1. Country and Sector Background

Context

The long war and the accompanying social unrest have placed a heavy toll on road infrastructure and services. Major road infrastructure has deteriorated as a result of the prolonged absence of maintenance and destruction by warring factions. Even in the current situation of relative calm, road infrastructure maintenance is still hampered by limited resources which have dropped dramatically from US $11 million in 1993 to US$1.2 million in 2003. Another major setback to the sector has been the depletion of skilled and professional staff, most of whom are reported to have fled the country as refugees. A good number of the remaining few are constantly leaving for more attractive jobs elsewhere in the country or abroad. Despite the seriousness of these problems, the Government does not yet have a road sector policy to support its vision as laid out in the PRSP.

Road sector Issues

The profile of the road sector is discussed in Annex 11

Coordination and policy limitations**:** The road sector in Burundi is under the responsibility of three ministries and involves too may actors: The Ministry of Public Works and Equipment (MTPE) is responsible for *classified* road infrastructure development and management; the Ministry of Transport and Telecommunication (MTT) is in charge of road transport delivery services and mobility. Rural road infrastructure, comprising unclassified communal and feeder roads, is the responsibility of the Ministry of Rural Development (MDR), which is supported by local government agencies and municipalities. In major cities like Bujumbura and Gitega roads are managed by the city council. Under current practices, each ministry defines and oversees the implementation of policies in the context of its "ministerial action plan". Such plan is discussed and adopted by Parliament on an individual basis. There is little or no working relationship between the ministries or agencies, and interventions are dispersed and often the subject of "turfing".

A land locked country with limited alternatives and costly transport outcomes:. Burundi is a small landlocked country, some 2,000 kms from the Indian Ocean**.** The country depends essentially on its international road transport, given the high cost of air traffic and the unreliability of traffic on its lakes. Internal transport within Burundi is totally dependent upon the road network. It's small size limits internal air traffic. Rail traffic cannot be envisaged now, because of its low volumes, high investment costs and the country's current sociopolitical situation. Recent studies conducted for road works revealed unit costs as high as US $236,000 per kilometer for asphalted double surface sealing. The high cost of infrastructure development, coupled with equally high transport costs, are major inhibiting factors on a predominantly agricultural economy.

Size of the Road Network and maintenance backlog: The road network in Burundi (see map attached to PAD) is denser than those of its neighbors, but it far exceeds the country's current capability to maintain. The prolonged lack of maintenance, together with the deterioration caused by heavy rain falls, have placed the network in a "non maintainable" status. To clear the backlog of maintenance and reposition the network in a maintainable status would require not just increased financing but, more importantly, a set of complementary short- and long-term dispositions to guarantee the sustainability of road preservation.

Weak Planning: In the absence of a proper planning strategy, the very limited resources allocated to the road sector are being spread thin on dispersed and uncoordinated interventions. A key challenge in coping with post-war reconstruction and development will be the Government's ability to plan and use the very limited resources at its disposal. Unfortunately, the acute lack of analytical data on the road sector and on government action is likely to limit efforts, notably in the implementation of sector-related PRSP targets.

Limited Donor support: The Bank and the European Union are currently the only donor agencies supporting the road sector in Burundi. Both institutions have offices in-country, and collaboration between them has improved in the last year. A short term challenge of the Government will be to rally national and donor support for these and future reforms in the sector.

Government Strategy

The Government’s strategy for the road sector is to privatize the execution of all road works and create an enabling environment that places SMEs and Community Development Associations (ACDs) at the center of road maintenance**;** promote greater involvement of road users in road maintenance financing; and establish a framework for road sector planning and management that eliminates dispersion, integrates all interventions in the sector, and enhances efficiency and synergy.

In seeking to implement this strategy, the Government has embarked on a series of reforms with the support of the Bank and the European Union. Most of them are the results of several years of sector dialogue with the Bank, notably in the context of the previous Bank-supported transport sector project. The base studies and consultations leading to the reforms were prepared in consultation with and on recommendations from the Bank. Bank staff reviewed and commented on the ensuing reports and draft legislations, which together with the studies, had been prepared by national and international consultants financed with Bank resources from the previous project and from the proceeds of a Project Preparation Facility ***(PPF BU 202 Q).*** So far the government has accomplished the following reforms as part of efforts to implement this strategy:

Privatizing road maintenance: A first step was the dismantling of force account road maintenance. Until the implementation of the previous Bank operation, all road maintenance works were carried out by force account, using equipment mostly financed by the donor community. The weaknesses of the force account, which transformed the road administration into a heavy and costly bureaucracy with over 3,000 employees, have been admitted in the Government. Contracting out maintenance works to the private sector and communities, is now seen as the necessary recourse, particularly in the present context of limited budgetary resources. By 1998 when the previous Bank operation closed, only routine maintenance through labor-based cantonnage remained with four brigades totaling 300 employees. All road maintenance works financed by the project were executed by local entrepreneurs under the supervision of DGR. The larger works were awarded through international bidding. A good number of national SMEs emerged from this experience, but have suffered serious setbacks as a result of the limitations in contract opportunities.

A review of national SMEs conducted under the on-going Bank-financed Public Works and Employment Creation project (PAD No. 21495), identified close to a dozen local SMEs in relatively good technical standing, but it also concluded that they had limited capacity in the planning and management of works. The project is implementing a training program targeting these and other weaker SMEs, aimed at improving their skills in the management of bidding documents and contracts, works planning and financial management. There is need to consolidate and complement these efforts, by paying additional attention to works execution and management.

Increasing road maintenance resources: The GOB recently adopted two laws, one institutionalizing a second generation-type road fund, and the other defining the financing sources and eligible expenditures for the fund. [Both instruments were reviewed and cleared by Bank and IMF staff]. In 2003, it also increased road tolls by 46% from USD 40 to USD 75. Although this increase is likely to impact negatively on international road transport costs, it will raise road maintenance resources by 75% from their current level of USD 1.2 million.

Reorganizing sector institutions: A second step was the reform of sector institutions. The studies for the restructuring of the Direction General des Routes (DGR) and the Road Fund were completed and discussed in the process of closing the previous Bank operation. A detailed action plan on the reorganization of the sector was prepared and its implementation initiated as part of the preparation of this project. During project preparation, DGR has been dismantled and replaced by three autonomous agencies, the National Roads Authority (OdR), the Road Equipment Leasing Agency (ALM), and the National Road Fund. All three agencies are fully functional. Board members and key staff of the agencies have been appointed.

The role of the MTPE is now limited to policy formulation, sector coordination and strategic planning. Road planning and supervision have been transferred to OdR, and management of road maintenance equipment will, henceforth, be the responsibility of ALM. Technical and geo-technical studies will be supervised by LNBTP. The new roles have been widely accepted and the institutions are now run on these lines. OdR and ALM have inherited technically competent staff from the defunct DGR. With force account road maintenance dismantled, OdR staff are now more focused on strategic planning. The three sector institutions (OdR, ALM and LNBTP) have well trained and experienced engineers, but they are not sufficiently equipped to plan and lead private sector-executed road programs. The institutional capacity of OdR to plan, award contracts, supervise the works and settle the related bills of the SMEs, remains weak.

Strengthening sector management: A third step was to strengthen sector management and planning. So far, the GOB has achieved part of this objective by (i) undertaking a review of on-going road-related projects and establishing a priority *Unique Road Program* (programme routier unique prioritaire) to which donor and road fund resources would be concentrated; and (ii) establishing a special procurement commission for OdR endowed with powers to approve procurement contracts up to the equivalent of US $500,000 on external financing and BIF 200 million on local financing;

The following reforms are still to be implemented:

Streamlining Management: In the short term, the GOB will adopt procedure manuals for sector agencies as part of efforts to streamline management. In the medium term, it will build the required capacity within the road agencies through targeted training of staff at all levels, and establish modern planning tools for road programming, resource management and performance monitoring.

The Government intends to establish a program approach to be based on a Transport Development Master Plan (TDMP), which would be prepared as part of a follow-up operation to this project. A key constraint in the transport sector in Burundi is the acute lack of information on the sector. The TDMP would help bridge the informational gap deemed crucial for follow-up dialogue in the sector, especially in the context of implementing the PRSP and gauging sector-related MDGs. The TDMP would cover, inter alia, an inventory of a priority road network, the preparation of a road safety action plan, a review of regional transport facilitation and development issues, an assessment of sector institutions including of public and private sector capacity in the transport sector, and the preparation of a transport sector Environmental and Social Management Plan (ESMP).

Accountability and Governance: The GOB also intends to implement innovative schemes that promote accountability and better management of the sector. In this context, road agencies will be required to conclude result agreements with MTPE, based on predetermined indicators and targets. These agreements will include performance contracts with OdR and the FRN. The Government has indicated its intention to privatize ALM and eliminate the monopoly currently enjoyed by LBNTP. Nonetheless, given the short term limitations of the national industry in meeting road maintenance equipment needs, and the likelihood of Burundi attracting little foreign investments in its current state of war, the Government prefers to strengthen these two agencies so as to guarantee minimum local capacity in the sector in the next two years. Conscious of the high reliance of the economy on the road sector, and as part of its efforts to increase sector efficiency and accountability, the GOB will institute within OdR and MTPE new planning instruments based on a Monitoring and Evaluation (M&E) model, that would enable better appreciation of (i) the sector's contributions to the overall development process, notably to its PRSP and MDG targets; (ii) the minimum resources needed by the sector to respond to the demands of the economy, and (iii) sector programs and outcomes.

Road Sector Policy: The Government has prepared and is seeking wide consultations on a draft road sector policy document, to make sure that the views of key stakeholders are taken into account, including those of community leaders and donors. The document, which reaffirms the fundamental principles and the strategic options for the road sector, will form the basis of a resource mobilization campaign which the GOB intends to launch as part of its reconstruction dialogue with national and external partners.

Meeting road maintenance challenges : The GOB hopes to further address the road maintenance gap in four ways:

- ***Increased release of fuel levies:*** Currently, the Government levies a tax of US 7.5 cents (BIF 75) on fuel sold in Burundi for road development and maintenance, but only BIF 20 (US 2 cents) is released to the National Road Fund. The GOB has agreed to progressively raise the fuel levy accruing to road maintenance from the current level of US 2 cents (BIF 20) to 8 cents starting from 2005. Amounts for each year would correspond to the routine maintenance budget for that year, and would be included in the Finance Law. This arrangement would enable the Government to gradually bridge the road maintenance gap and be able to fully finance the annual routine maintenance cost of USD 5 million by 2008. During negotiations the Government will be required to reconfirm its commitment to this arrangement, which would be closely monitored during the implementation of the proposed project.
- ***Continued donor support:*** Burundi’s petroleum consumption level of 50 million liters per annum is such that resources accruing to road maintenance, even in the best of scenarios, would only cover routine maintenance needs. This implies that the road fund would not be able to finance periodic maintenance in the medium term. In the circumstance, the GOB is also making a case for donor agencies to continue to finance critical road investments and maintenance while the National Road Fund is being built to progressively "take over" full responsibility. This project will include a routine maintenance component to support the Government's efforts in this direction.
- ***Priority road network***:. The Government would need to concentrate all resources accruing to the road sector on a Priority Road Program (PRP) chosen from the classified road network of 4,789 km. The URP is presented in Table 2 of Annex 11. During negotiations, the Government will be required to confirm a medium term priority program chosen from the URP and based on criteria agreed during appraisal, which include (i)

available or secured financing, (ii) projected resources for maintenance. This program is reflected in Tables 3 of Annex 11.***Community involvement***: Based on consultations with community leaders, the Government has decided that all aspects of labor-intensive routine maintenance will be contracted out to community associations (see Section C), while mechanized maintenance will be contracted out to SMEs. This new policy which is also meant to generate employment in rural areas, is expected to : (i) reduce encroachment on roads by farmers and road side dwellers by encouraging the integration of labor-intensive road maintenance into farming activities; (ii) reduce vandalism and increase security on road assets through remunerated maintenance benefiting both rebels and non-fighting populations; (iii) contribute to national unity by bringing together rebels and ethnic groups; (iv) boost female` participation in road maintenance since agricultural activities are essentially in the hands of women; and (v) reduce community involvement in the war.

2. Objectives

The objective of the project is to contribute to Burundi's post-war revival by restoring part of the priority road network, generating employment for the rural poor and improving institutional capacity in the road sector.

3. Rationale for Bank's Involvement

The project would supplement the lack of resources at a critical time. Through its CRMM component, the project is expected to improve the social fabric and enhance national cohesion, both of which are key post-war challenges. It will also contribute to the rebuilding of road sector institutions which have been dislocated by a decade of war, and will help introduce for the first time, a long term sector planning concept anchored on both PRSP and MDG targets.

Maintaining road infrastructure is crucial for Burundi’s economy in general and particularly for imports and exports of goods. Improving road access internally would facilitate delivery of farm goods to markets, social integration and cohesion, improvement in revenues of the rural population. With 90 percent of its population living under the poverty line, Burundi ranks itself among the poorest countries in the world. Road works under the project will generate non-agricultural employment and revenues for the rural and urban poor. The proposed financing of road maintenance by part of the Credit will help reduce pressure on budgetary resources, which would then be used for meeting emergency post-conflict social challenges, including resettlement and demobilization. Also, it will enable road fund resources to be used to bridge maintenance gap on past and current roads, one of which is the Bank's Public Works and Employment project.

4. Description

Component 1: Paved Road Rehabilitation (Cost: US$ 29,167,000; IDA financing: US$ 29,167,000; GOB financing: None)

This component will help restore part of the *existing* primary road network either destroyed by the war or deteriorated from years of no maintenance. It will finance 57% of project costs and will incldue:

(a) the rehabilitiation of 161.8 km of the 1,100 km of the paved primary road network, linking major cities, production areas and neighboring countries. The roads to be rehabilitated are

National Roads Nos. 3, 4, and 10 (cost:US$26,699,000). These roads have been appraised, and their EAs and bidding documents prepared; The bidding process for the works will be launched immediately following the appraisal mission so that execution can start in the early part of Year 1 of the project.
(b) spot repairs on national roads Nos. 1, 5, and 7, linking the city of Bujumbura with the rest of the country, and protection works on the River Rusizi embankments. Technical studies for this second set of roads were carried out in 1999 under the previous Bank-financed project, and will be updated in the first year of the project, including the preparation of their EAs, economic studies and bidding documents. Works on this second set of roads will start from the second year of the project. A map of the roads is attached to the PAD. All works under the component will be limited to pavement repair and repaving. The Government has undertaken to limit works to the paved area and shoulders of the roads, with no incursions into the wider right of way, no realignment or remaking of slopes. Bank missions will pay particular attention to this during implementation.

Component 2: Rehabilitation of existing unpaved secondary and communal roads (Cost: US$ 9,523,000; IDA: US$ 9,523,000; GOB: None)
This component will help rehabilitate some 350 km (18%) of the 4,000 km of the unpaved classified network (of which 3,000 km are secondary and communal roads). The roads in this component were chosen on the basis of socioeconomic criteria including, access to agricultural production points and social services such as schools and health centers, and connection of production centers to the primary road network and to market centers. These roads are in the Western and Central-Southern parts of the country, and are contiguous to the primary network. A map indicating their locations is attached to the PAD. The works on these roads will be mainly periodic maintenance without any alterations to the existing geometry, and will not involve heavy machinery. As with the paved primary roads, no re-alignment is anticipated, and special efforts will be made to ensure that there will be no damage outside the existing road to adjacent property. Economic, technical and environmental studies relating to these roads, will be conducted during the first year of the project by independent consultants. These studies and the supervision of works, to be conducted essentially by firms recruited through international competition, are accounted as part of the component cost.

Component 3: Road Maintenance and Management (cost: US$ 5,875,000; IDA:5,679,000; GOB: 55,000; ACDs: US$ 141,000)
This component will support a new approach to road maintenance that involves road side communities. It will finance 11% of project cost, and will include:

(a) A pilot program of community Road Maintenanace and Management (CRMM)) by ACDs, for three years, on 600 km of paved primary roads, 700 km of unpaved secondary (provincial) roads, and 200 km of unpaved communal roads. Mechanized works involving 1,300 km of paved and earth roads under this component will be contracted out to local SMEs.
(b) Some 600 road maintenance kits and 60 motorcycles for members of 60 ACDs, and three motorcycles for routine maintenance supervision. This equipment would be financed upfront by the Credit but its full costs would be subsequently recovered through retentions on wages paid to ACDs, in favor of a revolving fund intended to sustain its replacement. (see details in

Annex 2).
(c) The services of local NGO's to be charged with identifying, counseling, and training the ACDs involved in routine maintenance. This sub-component also includes provision for some 33 man-months of counseling assistance to road side populations and road workers on the prevention of HIV/AIDs;
(d) The services of local consultants to supervise routine maintenance works executed by ACDs and SMEs

Component 4: Sector Management and Institutional Strengthening (Cost: US$ 2,234,000; IDA: US$ 2,224,000; GOB: US$ 24,000)
This component will finance 5% of project costs and will include:

(a) Support to sector management and planning: This component will help establish and maintain within MITPE and OdR a Monitoring and Evaluation (M &E) capability to support and oversee policy implementation and private sector-led road works; (ii) carry out a diagnostic study of and provide ancillary support to the National Public Works Laboratory (LNBTP), the National Road Agency (OdR), and the Road Equipment Leasing Agency (ALM). The study will provide data to be used to support the Government's divestiture strategy with regard to ALM and LNBTP, and to prepare management contracts for OdR and FRN;
(b) Support to sector dialogue: The project will finance consultations, travel, workshops and seminars related to the development of a national transport policy and regional transport dialogue;
(c) Support to road maintenance: This sub-component will finance spare parts for road maintenance equipment and critical equipment for the LNBTP. An inventory of the road equipment inherited by ALM shows that a good part of it could be refurbished at very little cost provided spare parts are available. This sub-component will also include the purchase of vehicles and IT equipment to enhance the capability of OdR in the management, monitoring and evaluation of road operations (details are in Annex 3 of the PAD);
(d) Training: The project will support the implementation of a training program for staff of OdR and MTPE in road planning and analysis, strengthen the capacities of SMEs and ACDs in the conduct of road maintenance. Training programs defined during project preparation will further be fine tuned to reflect the outcome of the diagnostic study.

Component 5: Project Preparation and Implementation Support (Cost: US$ 4,747,000; IDA: US$ 4,588,000; GOB: US$ 159,000)
This component will finance 9% of project cost of which 2% will be operating cost. It will include: (i) project preparatory activities financed by the PPF No. BI-202-Q; (ii) the management of resources allocated to the routine road maintenance component; (iii) technical assistance to support project financial and procurement management; (iii) Operational and technical audits of works under components 1, 2, and (iv) operational costs, staff salaries, travel related to project implementation, establishment of the project financial and procurement management systems, and project financial audits.

5. Financing
Source (Total (US$m))
BORROWER ($0.00)
IDA ($51.17)
LOCAL COMMUNITIES ($0.14)
Total Project Cost: $51.31

6. Implementation
Implementation period: The project is expected to be implemented over a period of 5 years from July 1, 2004, the estimated date for project effectiveness.

Implementation agencies: The national Road Agency (OdR) will implement all aspects of the project except for sub-components 4(a) and 4(b) which would be the responsibility of the planning unit within MTPE. OdR was formally established by decree No 100/118 dated October 27, 2001. As an institution, OdR has not implemented significant road projects since its creation. However, it can rely on the experience of its staff. Most of OdR's staff come from the defunct DGR which had long experience in the implementation of road projects, including the last Bank operation, the Transport Sector Project (TSP). OdR is also staffed with an adequate number of professionals who have rich experience of World Bank-financed projects and good knowledge in Bank procurement procedures.

Implementation and management Responsibilities: OdR will be responsible for the overall oversight of the project, without interfering with the daily management of the other institutions supported by the project. Within OdR, project implementation will be carried out in the context of on-going institutional responsibilities, as follows:

a) The Department of Planning within OdR will be responsible for design studies, the preparation of bidding documents and the technical audits of the project; It will collaborate with the planning unit of the MTPE and be assisted by ISTEEBU in generating data for road sector indicators as defined in Annex 1. It will review and approve all road design reports and invoices relating to studies financed by the project. Its Environmental Protection and Standards service will implement the Environmental and Social Management Plan (ESMP) of

the project. Staff of the service will receive training in the first year of the project, prior to the commencement of works.
b) OdR's Department of Works will oversee the implementation of works, including the community-driven participatory management component of the project; it will review and approve all payment invoices relating to works;
c) A special project management unit shall be responsible for the financial management of the project, including internal controls; It shall ensure that project financial audits are conducted and submitted in a timely fashion; The unit, whose role and responsibilities are further detailed in Annex 13 reports directly to the General Director of OdR and is constituted of motivated staff recruited under fixed term contracts. It shall be responsible for all project activity and financial reporting.
d) Project procurement shall be carried out by a Special Procurement Commission, assisted by the project management unit. The commission was appointed by ministerial ordinance No. 540/1432 dated October 16, 2003, and is headed by the General Director of OdR.
e) The General Director of OdR, supported by its Cooperation Unit, will coordinate and ensure timely delivery of project activities, activity reports, financial and audit reports, and legal covenants.
f) The FRN shall manage the resources accruing to the road maintenance and management component of the project.

Based on the quality of dialogue and actions taken by these agencies during project preparation, and given the additional reinforcements with the special management unit, the special procurement commission, and the coordination unit, both the Borrower and OdR should have adequate technical capacity to carry out the project.

Procurement
Project procurement documents will be prepared mainly by international consultants as part of design studies. In addition, and in order to reduce procurement delays which currently stand at 49 weeks for consultants and 38 weeks for works and goods, the following special measures agreed by the Government will be implemented as a test to its ongoing procurement reform:

The procurement process will be in line with the procurement reform action plan of Government currently pending adoption. The proposed project will test the approach and the recommendation of the proposed reform. The new procurement action plan recommends that the procurement activities should be in the hands of the entities which have the budget . Thus, ODR will be autonomous for contracts of works estimated to cost less than the equivalents of US 1,00,000 and for goods and consulting contract estimated to cost less than the equivalent of US 200,000. For contracts above these amounts, OdR’s responsibilities would be limited to the procurement process up to contract award, and such contracts would then be co-signed by the Ministers of Equipment and Finance. The Borrower will be required to confirm these arrangements during negotiations, including that the Central Procurement administration will not be involved in the procurement process. The OdR, with the assistance of the procurement specialist to be recruited, will be responsible for the following task : (i) preparation of the general procurement notice and its annual update; (ii) preparation of the specific procurement notices ; (iii) preparation and update of the annual procurement plan; (iv) draft bidding documents and request of proposals ; (v) review reports of the evaluation committee; (vi) draft reports of the contract commission ; (vi) draft contracts and ensure that contracts are managed properly. For the contracts above national prior review threshold and IDA prior review threshold , the OdR will have to seek the required no objection.

The Project Implementation Manual (PIM) will describe with sufficient details, the roles and responsibilities of the parties involved in the procurement process taking into account the different thresholds that will be established. The PIM will indicate the procurement methods to be used and will provide the standard bidding documents and forms to be used for NCB, shopping, request of quotations and request of proposals. The PIM will also indicate the requirements for an adequate procurement filing system. It is anticipated that the PIM will include provision for an evaluation committee to be constituted on an ad hoc basis comprising staff OdR involved in the activities to be realized. The proposals of award made by the evaluation committee would be presented to the Contract Commission established within the OdR The Procurement Specialist as Secretary of the Contract Commission would have to make sure that the reports and decisions presented are in compliance with the rules and guidelines described in the credit agreement and spelled out in the PIM.

A three day procurement training session with focus on procurement planning and contract management will be delivered during the project launch by Bank staff. During the life of the project the annual work program of the OdR will comprise at least 3 days of procurement training for all persons involved in the procurement process, in order to keep them abreast with current procedures or new procurement instruments.

Financial Management

The main implementing agency for the project will be The National Road Agency (OdR). Although OdR is a new structure, most of its staff has experience in the implementation of World Bank financed projects. OdR will be assisted by specialized engineering firms for design studies, the preparation of bidding documents, bid analysis, works supervision and internal control.

The Community Road Maintenance and Management (CRMM) component of the project will also be implemented by OdR but the funds allocated for the component will be managed by the National Road Fund (NRF) which will take over the financing of the activity after the project. Community associations selected for this purpose would conclude remunerative “fees for service” contracts with the National Road Agency(OdR). Works under the scheme will be based on a new type of Community-Driven Labor-Intensive (CDLI) approach, involving Associations of Community Development(ACDs) to be selected from road-side communities. Local NGOs will be recruited to provide Information, Education and Communication (IEC) support leading to the establishment of the ACDs, and subsequently train the ACDs in routine labor-based road maintenance techniques.

Except for the CRMM component, the daily management of project resources will be carried out by a Project Management Unit (PMU). The PMU will be under the responsibility of a Project Manager (PM). The PM will report directly to the General Manager of OdR. She will be assisted by a Financial Management Specialist, a Procurement Specialist, a Budget Officer and an accountant. Resources allocated for the CRMM component will be managed by the FRN.

An internal audit function will be implemented to ensure strong supervision and quality assurance at various stages of the program. It will be contracted out to a local audit firm and implemented by consultants with good experience in the management of road projects.

The principal objective of the Project's financial management system will be to support management in the distribution of limited resources with the purpose of ensuring economy, efficiency and effectiveness in the delivery of outputs required to achieve project objectives, that will serve the needs of the people of Burundi. Specifically, the system would be capable of producing timely, understandable, relevant and reliable financial information that will enable management to plan, implement, monitor and appraise the Project's overall progress towards the achievement of its objectives.

Disbursement Arrangements and Flow of Funds

The following accounts will be maintained for project funds:

- Special Account A: Denominated in US dollars, this will serve as the main project account into which will be deposited project implementation funds from IDA. The account will be managed by OdR.
- Special Account B: Denominated in US dollars, will be to deposit funds for the payment of the Associations of Community Development (ACD). The account will be managed by NRF.
- Project Account : Denominated in Local currency. Counterpart funds from the Government of Burundi will be deposited in this account in accordance with project objectives. The account will be managed by OdR.
- Revolving Fund Account: Denominated in Local currency, this account will finance the renewal of road maintenance tools under the CRMM component. It will be financed by retentions operated on ACD wages corresponding to the cost of the initial stock of maintenance tools acquired under Bank financing. The account will be managed by NRF.

These accounts will be maintained in Inter Bank Burundi. Inter Bank Burundi has been accepted by the Borrower and the World Bank after an assessment of its financial strength and capabilities. It has wide geographical coverage to facilitate the flow of funds to ACDs. Furthermore, Inter Bank Burundi is experienced in the management of donor funds including those of the World Bank. The chart in Annex 6B illustrates the proposed banking and funds flow arrangements.

Supervision

A Bank implementation supervision mission will be carried out once every four months during the first two years of project activities and thereafter once every six months provided the project performance permits. During these missions a selective post review of contracts awarded below the threshold will apply to at least one in ten contracts. The procurement specialist will review the implementation of the measures agreed following the procurement capacity assessment.

7. Sustainability

The sustainability of the project will depend on two key factors: (i) sustainable maintenance of the roads rehabilitated under the project; and (ii) the peace situation in Burundi. These two factors and their associated risks are further discussed in Section 2 below.

Sustainable maintenance of rehabilitated roads: Meeting this requirement would depend on a combination of related factors: (i) institutionalized dispositions that would guarantee sustainable financing of maintenance with road user levies; (ii) support by local governments of the community approach to routine maintenance being introduced through the project; (iii) establishment of sound sector institutions with the appropriate capacity to plan, program, and manage road sector activities efficiently; and (iv) a track record by the Government to limit road investments to the economic and financial possibilities of the country.

Peace Situation: The ten year war in Burundi, coupled with the generally hostile climate in the Great Lakes sub-region, could be a major threat to project sustainability. Appraisal of the war situation was mainstreamed into project preparatory work, and involved broad consultations within and out of the Government. In particular, the project team consulted with and sought guidance from other Bank staff with post-conflict experience, the United Nations security service based in Bujumbura, country based NGO's and local news media. Most importantly, a seminar involving all community leaders in the project areas held in Bujumbura in October 2002 (report in project files), gave birth to the Community Participatory Road Management component of the project, as it was concluded that the involvement of the communities in the project would be the prime guarantee for success.

8. Lessons learned from past operations in the country/sector

Project design draws from recent best practices for new generation Road Funds and successful privatization of road maintenance works in a good number of countries in Sub-Saharan Africa. It marks a departure from the former inefficient force account practices, and integrates a new dimension of community-driven participation in road maintenance, based on "advice" from community leaders consulted in the early stage of preparation. The project approach is also a lesson drawn from the dialogue and the results of the studies conducted during the implementation of the recently closed Bank operation. Institutional reform targets under the project were initially too high and their benefits were not fully adhered to by the borrower at the inception of the project. The benefits of reforms are now better understood and accepted by the Government of Burundi. This is reflected both in the Government's I-PRSP as well as in the draft road sector policy document to be finalized during appraisal. Both documents contain innovative and reformist actions that were difficult to accept in the past.

The approach of reforms adopted initially, which entrusted in DGR the responsibility of its own reform, has been admitted as a failure, and has led to the establishment of an independent interministerial committee to pursue the reforms. Finally, the experience with the creation of the SMEs generated enthusiasm amongst the small entrepreneurs who proved to be very capable of executing quality works. This is being encouraged under the on-going Public Works and Employment Creation project and will be expanded as part of the proposed Road sector Development Project.

9. Environment Aspects (including any public consultation)

Issues : Environmental assessments conducted by international consultants on the major road works were completed in 2001. A review of ASPEN in April 2003 concluded that the EAs needed to be sharpened, notably to clarify the social impacts of the envisioned works and include a clear EMP. A revised EA conducted by separate consultants was cleared by ASPEN in September 2003 and published in-country and at the Bank's Infoshop in October 2003 (Infoshop ref. E-805). The ISDS was approved by the Regional Safeguard Coordinator on September 24, 2003 and submitted to Infoshop on October 9, 2003. The EAs contain a qunatified EMP for the appraised works. Environmental mitigation measures for works starting in the first year have been quantified and will be included in the bidding documents and contracts of the works.

A key issue highlighted in the EAs is the fact that works on RN 4 could likely generate the displacement of a few people in the Gatumba village, if implemented as in the original design. in order to avoid this occurrence, the original design will be modified by limiting the road width at Gatumba to 6 meters. This solution which is feasible given the low volume of traffic in the next several years on this 10 km road, will be supported by the special dispositions prescribed in the EA (Executive Summary, p 12) to minimize possible accidents. These dispositions which would include speed breaks on the road and special road signs, will be highlighted in the bidding documents.

A second issue was the drainage solution initially proposed at PK 29+100 (RN 3), which would have caused damage to houses down slope. The EA has prescribed an alternative solution (Executive Summary P.10), which includes construction of a small retaining wall, excavation of longitudinal ditch, planting of grass on slope, and protecting the watersheds of Mwambuko and Gatororongo.

A third issue associated with the project is that works under components 1(ii) and 2, have not been the subject of EAs. Given that these works will not commence until the second year, it was agreed with ASPEN that their EAs would be prepared together with their technical and economic studies. Any measures arrising from the EAs will be quantified and implemented as an integral part of the works. The works will be supervised by consulting firms hired through competitive processes. The team of each supervising firm will include environmentalists. Also, the Bank's initial supervision missions will include environmental and social safeguard specialist, to ensure that appropriate dispositions are taken from the onset. In addition, the National Road Agency has an environmental unit which is expected to oversee the proper implementation of environmental actions relating to road programs (See EA P.36) .This unit will be strengthened early in the project to render it fully functional. New legislation recently enacted by the Government defines compensation rates and other dispositions relating to expropriations and compensations. This instrument is attached to the EAs (page 40) and will form the basis of the costing for trees and other property, if any, affected by the works.

Environmental impacts (see EA Summary, p. 8-12) include: possible destruction of vegetation (grass, trees); soil destruction (loss of arable lands, erosion, pollution by hydrocarbons, lubricants, organic wastes and other cut wastes); on water (increase in water sediments due to water perturbation in the Kanyosha and Mugere rivers and their direct conduct in the Lake; pollution with the cleaning of machineries in water points and erosion of wastes at cut areas); construction milieu (sound, dust, perturbation of traffic, uncontrolled wasting); health (risks for accidents,

cloud of dust)
The EA states that "all mitigation measures proposed, whether general or specific, will permit to minimize the project negative incidences on the milieu and permit its environmental integration". It also points to the "positive impacts"of the project and concludes that " the project is environmentally viable, socially acceptable and economically sustainable" (Executive Summary, page 20).

10. List of factual technical documents:

- Etude d'un système perrenne de financement de l'entretien routier (Louis Berger international, Inc.-january 1999)
- Etude de faisabilité pour les travaux d'entretien périodique de la route Nationale 10 (Ingeroute -February 2001)
- Stablisation des Routes nationales RN1, RN5 et RN 7 (FRISA Engineering SA-June 2001)
- Etude de faisabilité pour les travaux d'entretien périodique des routes nationales Nos. 3 et 4 (CIMA Februray 2001)
- Etude de Faisabilité pour les travaux de construction de la route nationale No. 18 (FRISA Engineering SA, Juin 2001
- Proposition de Dossier d'Appel d'Offres et estimations confidentielles pour la selection des ONG pour la composante "Gestion Participative de la Route"(Asbl Twitezimbere-Octobre 2002)

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Note: This is information on an evolving project. Certain components may not be necessarily included in the final project.