

1. Project Data:		Date Posted : 09/12/2013	
Country:	Macedonia		
Project ID:	P091723	Appraisal	Actual
Project Name:	Second Trade And Transport Facilitation Project	Project Costs (US\$M):	25.022.39
L/C Number:	L4859	Loan/Credit (US\$M):	20.020.27
Sector Board :	Transport	Cofinancing (US\$M):	
Cofinanciers :		Board Approval Date :	05/29/2007
		Closing Date :	09/30/201106/30/2012
Sector(s):	Roads and highways (80%); Central government administration (11%); Railways (9%)		
Theme(s):	Trade facilitation and market access (67% - P); Regional integration (33% - S)		
Prepared by :	Reviewed by :	ICR Review Coordinator:	Group:
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## 2. Project Objectives and Components:

### a. Objectives:

The statement of objectives in the Project Appraisal Document (PAD) and the Loan Agreement is identical: "*to facilitate the movement of trade between the Borrower and neighboring countries in South East Europe, through the removal of selected border-zone infrastructure bottlenecks and improving the efficiency and quality of road and rail services along the Trans-European Transport Corridor X on the territory of the Borrower*".

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

No

### c. Components:

**Component 1: Upgrading road corridor X section BCP of Tabanovce - Kumanovo to motorway standards** (appraisal cost US\$13.1 million; actual cost US\$18.1 million). The component supported upgrading to motorway standards of a 7.3 km road section, which formed part of the E-75, better known as European Transport Corridor X. The investment included two sub-components: (i) construction of a new one-directional carriageway with a width of 11 meters, parallel to the existing road, separated from it by a 4-meter median, and (ii) supervision of construction.

**Component 2: Upgrading the passenger terminal at the Blace border crossing point with Kosovo** (appraisal cost US\$2.1 million; actual cost US\$2.4 million). This component funded the construction of necessary facilities for the customs, border police and other related agencies at the border for vehicles. It encompassed removal of the temporary facilities, replacing them with permanent control, inspection, and administration structures, as well as enlarging the capacity of the passenger border crossing by increasing the facility from 2x2 to 2x3 lanes, adding a separate bus inspection lane for buses entering Macedonia from Kosovo. The component included the consultancy contract for the supervision of civil works.

**Component 3: Modernizing the Road Toll Collection System** (appraisal cost US\$5.5 million; actual cost US\$0 million). This component was supposed to retrofit the toll stations along Corridor X with new equipment that would allow for both cash and non-cash (electronic) payments. The component also supported technical assistance to

develop the specifications for the toll equipment that met the system's requirements, as well as preparation of the procurement documents for the purchase of such modern electronic tolling equipment. It was also intended to fund the purchase of the new toll system.

**Component 4: Support completion of telecommunication system modernization along rail Corridor X and support harmonization of freight data software applications by Railways and Customs** (appraisal cost US\$3.8 million; actual cost US\$1.8 million). There were two inter-related subcomponents: one subcomponent supported the Macedonian Railways (MZ) in the completion of a modernized railway telecommunication system that would allow the use of electronic train management applications along rail corridor X, including the provision of essential software modules. The other subcomponent supported the Macedonia Customs Administration (MCA) in the modernization of hardware, system, equipment, and software applications that would allow electronic rail freight data processing using data from the selected Railways software application through an interface with the MCA information systems.

**Component 5: Project implementation support** (appraisal cost US\$0.5 million; actual cost US\$0.03 million). This component covered (i) audit services; (ii) project management, financial management, and procurement; (iii) technical services required for preparation and supervision of project components; (v) any training necessary for the completion of these tasks; and (vi) incremental operating costs.

A level 2 restructuring of May 2010 reduced the scope of components 3 and 4 as follows:

- The provision and installation of modern electronic tolling equipment under Component 3 was removed as per the Government's request, as the Government intended to include toll equipment installation as part of a larger motorway concession scheme outside of the project.
- The procurement of information technology equipment and the procurement of software for data exchange between the Macedonian Railways (MZ) and the Macedonia Customs Administration (MCA) under Component 4 were removed since Customs had already migrated to a web based system.

#### **d. Comments on Project Cost, Financing, Borrower Contribution, and Dates:**

**Project cost:** Total project cost was US\$22.4 million equivalent at closure, as compared to the appraisal estimate of US\$25 million equivalent.

**Financing:** The World Bank Group contribution consisted of a loan in the amount of €15 million (US\$20 million equivalent). The Loan was fully disbursed. The dollar equivalent of the Loan amount at closure was US\$ 20.3 million. As part of the May 2010 restructuring, the share of expenditures financed by IBRD increased from 78% to 100% due to the Borrower's difficulties in meeting its cofinancing commitments. There was no other external partner financing.

**Borrower contribution:** The Borrower's planned contribution was US\$5 million that was reduced to US\$2.1 million by project closure due to a lack of funding as a result of the economic crisis.

**Dates:** The project was extended twice by a total of nine months (in June 2011 by six months and in March 2012 by three months) from the original closing date of September 30, 2011 to June 30, 2012 as a result of implementation delays, budget constraints of the Borrower and land acquisition issues.

### **3. Relevance of Objectives & Design:**

#### **a. Relevance of Objectives:**

**High.**

Accession to the European Union (EU) is a central policy objective for Macedonia. Improvements in transport links and trade facilitation are important steps toward meeting the membership criteria. The project development objectives supported the country's aspiration of joining the EU and were consistent with the country's priorities reflected in the commitments agreed in the Memorandum of Understanding for the development of the core transport network between the European Commission and the Western Balkan countries. The objectives were also relevant to the World Bank Group's FY11-14 Country Partnership Strategy for Macedonia, the key goals of which included faster growth by improving competitiveness through the reduction of bottlenecks in the business environment and infrastructure. The objectives were also in line with the main priorities of the Country Strategies at appraisal and during implementation which aimed at increasing the capacity of road and rail transport and lower trade and transport related transaction costs.

#### **b. Relevance of Design:**

## High

The statement of development objectives was clear. The project results framework indicated a clear causal chain between the activities financed by the project and the outputs and outcomes related to the attainment of the development objectives. For example, the upgrading of the passenger terminal (Component 2) was expected to reduce border crossing waiting time for cars and buses. Investments in the telecommunication system modernization along rail Corridor X, including support to harmonization of freight data software applications by Railways and Customs (Component 4), were expected to eliminate freight train processing delays. These, combined with road upgrade works and modernization of the road toll collection system (Component 1 and 3), were intended to remove border-zone bottlenecks and lead to improved efficiency and quality of road and rail services along Trans-European Transport Corridor X in Macedonia, thus facilitating the movement of trade between the Borrower and neighboring countries in South East Europe.

### 4. Achievement of Objectives (Efficacy):

The project's contribution to facilitation of the movement of trade between the Borrower and neighboring countries in South East Europe, through the removal of selected border -zone infrastructure bottlenecks and improving the efficiency and quality of road and rail services along the Trans -European Transport Corridor X on the territory of the Borrower is rated **substantial**.

#### Outputs

- A new 7.3km one directional carriageway was constructed to upgrade the existing road to motorway standards. The motorway is fully operational. All land acquisition cases have been resolved.
- 97.6% of upgrade works to the passenger terminal at the Blace border crossing point (BCP) were completed by project closure: a separate facility for checking buses was constructed, license plate cameras which allow automatic record of license plates of vehicles were installed, an approach road to border crossing was widened; passenger cars and buses lanes were segregated. The remaining works were asphaltting 200 m2 of the existing border crossing lane and installation of new control cabins, which were not completed by project closure.
- A detailed implementation and operational plan for a new toll system was completed. The Government intends to fund implementation of the recommendations from its own resources. Project funds for the equipment were reallocated during project restructuring, as the Government decided to concession the toll operations for Corridor X.
- A modern railways telecommunication system connecting with Serbia, Greece, Kosovo, Tabanovce, Skopje, Volkovo and Gevgelija was installed. All rail centers on Corridor X were connected with optic cable.
- The Integrated Information System to share relevant data and information agreed upon by Customs and Railways and Interface was completed.
- A system of electronic management of all inward processing activities at Customs was delivered.

#### Outcomes

- The motorway upgrade segregated freight traffic near the Tabanovce Border Crossing Point (BCP), and established a road link to the border processing terminal where all border agencies (customs, phyto-sanitary, veterinarian agency) are now located, saving traders and transporters time and costs. Imported freight now only makes one stop at the terminal and export freight can pass the border directly without any stops.
- The road upgrade was the most significant activity in terms of financing (79% of project costs), yet there was no related outcome indicator.
- Border crossing waiting time for vehicles at Blace BCP was reduced from 10 minutes per vehicle (min/veh) to 2.5min/veh at entrance and from 12 min/veh to 1.9min/veh at exit, meeting and exceeding respectively the targets.
- The freight train processing time at Rail Corridor X border stations was reduced to the scheduled 90 minutes from a baseline value of 450 minutes. Telecommunication systems installed along Rail Corridor X enabled enhancements in the flow of information, in traffic management, and in other technical operations requiring the use of electronic technology. This also allowed connection with Kosovo and Greek railways at the border and implementation of common border stations of railway administration. The new telecommunication system in railways has led to initiatives for joint operation of border railway stations with Serbia and Kosovo.
- The establishment of the Integrated Information System allowed exchange of data electronically between Railways and Customs, thereby improving operations and administrative capacity. The system holds more than 450,000 documents and is used by 1000 internal users and 3000 external operators. The system was noted by the European Commission's 2011 Progress Report as an achievement (ICR, page 33).
- A new inward processing system at Customs substantially improved efficiency in customs processing. Former paper-based processes which were carried out manually and took days are now completely paperless and processed within one working day. The textile and steel industries particularly benefit from this, according to the private sector feedback received (ICR, page 33).

## 5. Efficiency:

The economic rate of return (ERR) for the upgrade to motorway standards of the road from the Border Crossing Point to Tabanovce- Kumanovo (Component 1), which constituted 81% of final project costs, was estimated to be 11.4% at closure compared with 12.3% at appraisal. The ex-post analysis of the road upgrade used the same methodology as the ex-ante analysis. Road user benefits (vehicle operating, travel time and accident costs reduction) were evaluated using the Highway Development and Management Model (HDM-4), which computes road agency and road user costs over an evaluation period for the with and without project scenarios. The ex-post economic analysis considered actual construction costs and traffic growth rate.

The economic analysis did not take into account the improvements to the Blace passenger terminal (Component 2), since data for calculating benefits were unavailable. No economic analysis of Components 3 or 4 was performed because the provision and installation of modern electronic tolling equipment under Component 3 was removed from the project, and Component 4 was reduced in scope following the decision not to procure the information technology equipment and data exchange software.

The actual costs for the Component 1 upgrade works were 10% higher than the contract costs, although total project costs were slightly less than the appraisal estimate. There was a nine month extension of the closing date due to implementation delays resulting mainly from the Borrower's budget constraints and unforeseen land acquisition issues.

On balance, efficiency is assessed as **substantial**.

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

	Rate Available?	Point Value	Coverage/Scope*
Appraisal	Yes	12.3%	52%
ICR estimate	Yes	11.4%	81%

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

## 6. Outcome:

The project's development objective was highly relevant to country and Bank priorities, and design relevance was high. The project substantially contributed to better trade movement between Macedonia and neighboring countries by reducing border crossing waiting time for vehicles and freight train processing delays, in addition to improving the efficiency of Railways and Customs. Efficiency is rated substantial.

### a. Outcome Rating : Satisfactory

## 7. Rationale for Risk to Development Outcome Rating:

The risk to development outcome is considered to be low :

- The *political* risk is low considering the importance of the outcomes for Macedonia's accession to the European Union, a major policy objective.
- The *sustainability* risk is low. The road improved through the upgrade works contract is likely to be sustained as Macedonia's Agency for State Roads receives at least 20 percent of the excise tax on petrol so there is a source of revenue other than annual budget allocation for maintenance. If Road Corridor X is concessioned, the risk of inadequate maintenance would be further reduced. The European Bank for Reconstruction and Development was assisting the Government to developing this concession (ICR, page 20). The Government's website contains a reaffirmation by the Minister of Transport and Communications to a group of German investors of the Government's commitment to grant the concession (dated August 24 2013). The ICR considers the risk that the Blace Border Crossing Point will not be properly maintained to be low.
- *Technical* risk is low. Macedonian Railways and the Macedonia Customs Administration have adequately trained technical departments that will continue supporting the implementation of the software and Information Technology solutions.

### a. Risk to Development Outcome Rating : Negligible to Low

## **8. Assessment of Bank Performance:**

### **a. Quality at entry:**

The project was a scale up from the Trade and Transport Facilitation in Southeast Europe (TTFSE I) project, which closed in December 2005. The project's focus on improving transit and trade along Corridor X reflected the country's and the Bank's priorities with regard to EU membership accession. The task team developed consensus and commitment to the project from the main stakeholders by conducting a workshop in Skopje with participation from Customs, Ministry of Transport, Ministry of Economy, border agencies, the private sector and the donor community. The design also incorporated the recommendations of a Bank study titled "A Framework for the Development of the Transport System in South East Europe", which recommended a corridor approach to transport development and development of integrated border management principles.

The project had an extended preparation period due to the further development of the potential regional trade facilitation program for eight countries as a follow-up on TTFSE I to be supported through horizontal Adaptable Program Loans (APLs). The project concept review took place in December 2004, while the appraisal was more than two years later in April 2007 with Board Approval in May 2007.

The five risks identified in the PAD -- insufficient political commitment, corruption threatening aspects of implementation, lack of coordination between beneficiary entities, social resistance to modernization of the toll system, and failure to undertake road sector management reforms -- did not materialize. One of them was related to the modernization of the toll collection system, which was dropped from the project during implementation.

However, one unidentified risk not only materialized, but had a significant negative impact on implementation: land acquisition. This risk was not identified at appraisal despite the fact that land expropriation for the Tabanovce border crossing modernization had resulted in notable implementation delays under the previous TTFSE I project (ICR, page 17). In the case of the project under review, the Bank over-relied on the Government's assurance that no land acquisition would be required at the Blace Border Crossing Point (see Section 11a below). Land acquisition, especially at Blace, was a recurrent issue during both preparation and implementation, causing significant delays.

Another shortcoming of Quality at Entry was that the design for the original road upgrade works under Component 1 had been completed in 1995 and was not updated during preparation. This had to be remedied during implementation.

There were weaknesses in M&E design (see Section 10 below).

#### **Quality-at-Entry Rating :**

Moderately Unsatisfactory

### **b. Quality of supervision:**

Supervision was carried out at regular intervals. The team included specialists in road engineering, rail, environment and social safeguards, and Information Technology procurement. The supervision team was pro-active in coordinating the efforts of three project implementing agencies, each with their own staff and working methods. Implementation was to rely on the efforts of regular public servants employed in the agencies rather than on a Project Implementation Unit. While these implementation arrangements enhanced ownership and supported knowledge transfer, they required a high level of support from the Bank team.

The high level of technical expertise in the supervision team was demonstrated by its improvement of many technical aspects of the project. For example, the outdated original road upgrade works design was substantially improved during implementation.

The land acquisition issue for the Blace Border Crossing Point could "if handled improperly, have resulted in reputational damage to the Bank" (ICR, page 27). However, "response from the Bank team was quick but no short cut was taken" (ICR, page 27). The issue was effectively and efficiently addressed and the social safeguards documentation was revised to include Blace (see Section 11 below). In addition, an unintentional Loan covenant violation on land acquisition by a contractor involved in the road upgrade Component was quickly resolved.

The mid-term review was comprehensive, the aide memoires and ISRs were, in general, sufficiently detailed. The management of the project from the Bank's Skopje office, in the latter part of the supervision period, permitted more timely, hands-on assistance to the Borrower.

<b>Quality of Supervision Rating :</b>	Satisfactory
<b>Overall Bank Performance Rating :</b>	Moderately Satisfactory

## 9. Assessment of Borrower Performance:

### a. Government Performance:

The Government was responsive in handling issues as they arose, for example such as compliance with resettlement action plan on Component 1. The revision of the law governing toll collection and police action against toll evaders demonstrated that the Government was committed to reforming the tolling regime .

There were some difficulties in securing counterpart funding that caused delays; this, however, was due to the global economic crisis and fiscal constraints which coincided with the implementation period .

However, the Government made a written statement to the Bank regarding land acquisition at the Blace Border Crossing Point (BCP) that later turned out to be inaccurate . This resulted in substantial delays in the implementation of Component 2 (see section 11a below). As the ICR reports on page 21, "the possibility of land acquisition at Blace was glossed over in the rush to get to project negotiations " .

<b>Government Performance Rating</b>	Unsatisfactory
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### b. Implementing Agency Performance:

There were three implementing agencies: Agency for State Roads (ASR), Macedonian Railways (MZ), and Macedonia Customs Administration (MCA).

**ASR:** ASR actively worked to improve the project design and performed its coordinating function well . The ICR reports that the civil works, Environmental Management Plan and Resettlement Action Plan were all implemented satisfactorily. The land acquisition issues and the consequent violation of a covenant on social safeguards were not the fault of ASR or any of the implementing agencies, and were efficiently resolved .

**MZ:** MZ's technology department conceptualized the software and Information Technology (IT) needs and drafted the terms of reference without needing substantial Bank inputs . According to the ICR, ASR and MZ worked with the Bank as partners and had capable staff .

**MCA:** MCA assumed responsibility for border crossing facilities from the Housing Authority . MCA's headquarter staff's implementation of the software was described by the ICR as highly satisfactory . The feedback from the private sector users was positive. However, the Blace BCP was delayed and civil works were not fully completed at project closure.

<b>Implementing Agency Performance Rating :</b>	Satisfactory
<b>Overall Borrower Performance Rating :</b>	Moderately Satisfactory

## 10. M&E Design, Implementation, & Utilization:

### a. M&E Design:

The project's indicators were appropriately linked with the intermediate objectives . The key indicators included baseline data and measurable targets set at appraisal (PAD Annex 3; ICR-Annex 2 and Section F of the Datasheet). The key performance indicators for the project development objective included : (i) percentage of reduction in border crossing waiting time for cars and buses per lane at Blace BCP, and (ii) elimination of freight train processing delays additional to the scheduled 90 minutes processing time at rail Corridor X border stations .

The ICR states on page 20 that "the M&E design could have been better". Component 1 (the road upgrade), at 79

percent of project cost, was the most significant activity in terms of financing, yet there was no related outcome indicator. An indicator using the International Roughness Index could have been used to measure the improvement of road conditions for road users and thus the quality of road services .

The implementing agencies (ASR, MR, and MCA) were responsible for managing and operating the M&E system .

#### **b. M&E Implementation:**

The ICR contains little discussion of M&E implementation except to note that at some M&E was rated moderately unsatisfactory in some supervision reports as the data measuring achievement of targets had not been fully updated . This was rectified relatively promptly .

#### **c. M&E Utilization:**

The M&E system was used to support recommendations or inform management decisions during the course of implementation, in particular on project restructuring .

**M&E Quality Rating :** Modest

### **11. Other Issues**

#### **a. Safeguards:**

This was a Category "B" project that triggered three safeguards policies - OP4.01 Environmental Assessment, OP 4.12 Involuntary Resettlement, and OP4.11 Cultural Resources.

The ICR does not contain a clear statement that safeguards policies had been complied with . However, this was subsequently confirmed by the project team .

**Environmental Assessment and Management :** "The civil works were carried out in compliance with the provisions of the Environmental Management Plan" (ICR, page 20). According to the ICR, there were no major issues regarding environmental compliance. Several improvements were made to the original Environmental Impact Assessment (EIA) and Environmental Management Plan (EMP). For Component 1, the original EIA recommended sound barriers for noise mitigation along the upgraded motorway. Based on technical findings, consultation and villagers' preference, double glazed windows and air-conditioning for 70 homes were selected as the preferred option. For Component 2, the EIA mentioned the need to expand the existing waste treatment unit at the Border Crossing Point (BCP). Customs suggested that a new unit be installed. The EIA was revised and an EMP drafted. These two environmental mitigation measures were close to completion when the ICR was finalized .

**Involuntary Resettlement :** Land acquisition was a recurrent issue during project preparation and implementation .

*Land acquisition for Component 1, the road upgrade:* There were about 102 affected owners involving about 294 parcels of land. A Resettlement Action Plan was disclosed and consultations held during project preparation . Upfront work on expropriation was completed and a census of affected persons was taken . In the Decision Meeting minutes, the Lead Environmental Specialist confirmed that all safeguard requirements including resettlement and land acquisition issues had been satisfactorily addressed for appraisal .

In March 2009, the Bank's supervision team discovered that compensation for land acquisition for Component 1 was not paid to all landowners prior to start of works by the contractor (as some landowners initiated court cases to increase compensation amounts), contrary to the provisions of the RAP and the Loan Agreement . The Bank sent a Warning of Suspension of Disbursement for the part of the Loan related to the road upgrade . This issue was resolved a few months later when the Bank and the Government agreed that the RAP and Loan Agreement would be modified to reflect Bank policy effective after this Project was approved . The revised RAP provided for compensation to be made to all affected people through: (i) the Agency for State Roads (ASR) with a special account into which it deposits in full the money determined as required; and (ii) a dedicated budget line for the Macedonia Customs Administration, or, where compensation amounts are determined by the courts, the Treasury (Customs is a unit of the Ministry of Finance). The Loan Agreement was revised to reflect an updated approach to land acquisition . Works were allowed to proceed if the availability of funds for compensation payment was assured . The implementing entity for Component 1, ASR, had the capacity to implement social safeguards . At the time of the ICR preparation, all land acquisition cases had been adjudicated .



*Land acquisition for Component 2, the Blace BCP:* During the pre-appraisal mission in December 2006, the team was informed that, contrary to information previously received, "about 50% of the land affected by the proposed border crossing project site is actually privately owned" (Pre-Appraisal Mission, Aide Memoire, December 11-28, 2006). The team stated that "expropriation process in the border zone bears a high risk of delays in implementation and disbursement plans for the Blace component, which was envisioned for the first year of project implementation ." This view was shared by the Ministry of Finance . The team provided the Government with various options, among which was to omit this component from the project . A few weeks before negotiations, the Government stated, in a letter to the Bank dated April 11 2007, that neither construction nor operation of the Blace BCP would require land acquisition/ expropriation. This understanding was reflected in the PAD . Negotiations for the project proceeded on this basis.

However, during implementation, land acquisition at Blace became an issue . The project team subsequently reported that 26 households had been affected . The RAP was revised during implementation to include Blace . Land acquisition issues at Blace were eventually resolved . However, they delayed the start of civil works for more than two years. "The possibility of land acquisition at Blace was glossed over in the rush to get to project negotiations " (ICR, page 21).

**Cultural Resources :** According to the PAD (page 19), the proposed expansion of the existing road corridor would affect a small portion of a graveyard currently used by Tabanovce village; as a result, seventeen graves (20-50 years old) had to be relocated. The project was to assist the local communities in purchasing a new piece of land close to the existing graveyard . The ICR does not report regarding compliance with this policy during implementation .

#### **b. Fiduciary Compliance:**

*Financial management.* The ICR reports that the task team rated financial management (FM) as "moderately satisfactory because the accounting was completed on Excel spreadsheet and proper FM software was not used " (page 21). During implementation of the project, however, the FM function was well -staffed by an experienced full time specialist who was familiar with Bank FM and disbursement procedures . Financial and audit reports under the project were submitted generally on time . "The auditors issued unqualified opinions on the project financial statements for the audited period of FY 2008, 2009, 2010 and 2011" (page 21). ASR has plans to update its FM system as part of introducing an enterprise network system, financed through another Bank operation .

*Procurement.* The ICR reports that "procurement has been satisfactory" (page 21). Despite difficulties in implementing Information Technology (IT) procurement under Bank procedures (as the Terms of Reference cannot be so technically specific as to limit vendors nor too general ), the capacity of the counterparts supported by the Bank ' s IT procurement specialist accomplished the procurement without issues . There were no reported cases of misprocurement.

#### **c. Unintended Impacts (positive or negative):**

#### **d. Other:**

<b>12. Ratings:</b>	<b>ICR</b>	<b>IEG Review</b>	<b>Reason for Disagreement / Comments</b>
<b>Outcome:</b>	Satisfactory	Satisfactory	
<b>Risk to Development Outcome:</b>	Negligible to Low	Negligible to Low	
<b>Bank Performance :</b>	Satisfactory	Moderately Satisfactory	There were significant shortcomings in Quality at Entry (see Section 8a above).
<b>Borrower Performance :</b>	Moderately Satisfactory	Moderately Satisfactory	
<b>Quality of ICR :</b>		Satisfactory	

#### **NOTES:**

- When insufficient information is provided by the Bank for IEG to arrive at a clear rating, IEG will downgrade



the relevant ratings as warranted beginning July 1, 2006.

- The "Reason for Disagreement/Comments" column could cross-reference other sections of the ICR Review, as appropriate.

### 13. Lessons:

The ICR has identified a number of lessons, of which the most important are listed below with some adaptation of language:

- **The Bank's own due diligence on all project aspects is essential even when there is time pressure for project delivery**. Reliance on the Government's assurances, even when written, may not be sufficient. Situations such as that related to the land acquisition issues at Blace, could have negative outcomes involving reputational risk for the Bank. That this did not occur in this case was due to the efficiency with which the issues were addressed by the Implementing Agency and the Bank supervision team.
- **In trade facilitation, the impact of institutional reform investments, which may not be costly, can be significant**. Software and Information Technology (IT) activities can be transformational for an organization. The various software and IT activities are minor investments compared to the civil works. The counterpart, however, needs to have a basic level of IT competence. The ICR notes that the failure rate of IT investments in transport projects tends to be high. One reason for success of this project is that MZ and MCA both have a high level of IT literacy.
- **Consultations on road design with the affected communities can result in a better designed investment for road works, add social development features for the project and widen stakeholders' support**. In this project, community inputs have resulted in a better designed, more socially sensitive investment for the road upgrade.
- **The utilization of public sector staff in project implementation instead of a Project Implementation Unit structure can result in capacity strengthening and greater project ownership**. Under such arrangements, however, appropriate training for implementation staff is crucial.

### 14. Assessment Recommended?

☐ Yes ☒ No

### 15. Comments on Quality of ICR:

The ICR is analytical and outcome-oriented. The quality of evidence is adequate, and the lessons are evidence-based. The link between outputs and outcomes could, however, have been clearer. The ICR could have been more complete covering the safeguard policies, for example it does not discuss OP 4.11 Cultural Resources that the PAD had indicated would be triggered by the project. There is no clear statement of compliance with safeguards policies.

**a. Quality of ICR Rating** : Satisfactory