PROJECT INFORMATION DOCUMENT (PID)
CONCEPT STAGE

Report No.: PIDC446

Project Name	South Sudan- Eastern Africa Regional Transport , Trade and Development Facilitation Program (Phase One) (P131426)
Region	AFRICA
Country	Africa
Sector(s)	Rural and Inter-Urban Roads and Highways (60%), Public administration- Transportation (20%), General industry and trade sector (20%)
Theme(s)	Trade facilitation and market access (70%), Regional integration (30%)
Lending Instrument	Investment Project Financing
Project ID	P131426
Borrower(s)	Ministry of Finance, Commerce and Economic Planning, Ministry of Finance
Implementing Agency	Ministry of Transport, Roads and Bridges, Ministry of Transport and Infrastructure
Environmental Category	B-Partial Assessment
Date PID Prepared/ Updated	29-Aug-2013
Date PID Approved/ Disclosed	03-Sep-2013
Estimated Date of Appraisal Completion	30-Sep-2013
Estimated Date of Board Approval	30-Jan-2014
Concept Review Decision	Track II - The review did authorize the preparation to continue

I. Introduction and Context

Country Context

Deepening regional integration – economic opportunity for South Sudan & neighbors

1. The countries in the Eastern Africa sub-region, including Kenya, Uganda, Tanzania, Burundi, Rwanda, Ethiopia, eastern Democratic Republic of Congo (DRC), and South Sudan recorded an average annual economic growth rate of about 5 percent over the last decade. The sub-region is potentially a large regional market of over 200 million people. Relatively poor transport links between these countries, the less than satisfactory performance of the ports of Mombasa and Dar-es-Salaam, the high cost of internet access in South Sudan and a range of technical, political and policy-related factors create obstacles and increase costs to the movement of goods, people and

services, and act as a major impediments on intra- and inter-regional trade, contributing to the under development of the sub-region. These barriers present huge challenges to prevailing economic activities but also provide great opportunities for transformation of economies and growth prospects, in particular for the region's landlocked countries, if they can be successfully overcome and effectively managed.

2. The East African Community (EAC) is the regional economic community for the sub-region and is implementing a common market protocol and a common customs territory. Some countries in the sub-region are also members of the three regional economic communities, including: the Common Market for Eastern and Southern Africa (COMESA) and the, Southern Africa Development Community (SADC), which together with the EAC are striving to form the largest free trade area in Africa, under a Tripartite arrangement. The trade and transport agenda of the regional economic communities puts a lot of emphasis on creating trade corridors without borders and barriers, on facilitating trade, and promoting economic integration by removing non-tariff barriers. The Gross Domestic Product (GDP) for the EAC countries, in 2011, was estimated to be about US$82 billion. The eastern neighboring countries of South Sudan, namely: Kenya, Uganda and Ethiopia, in 2011 had a population of 41.6 million, 34.5 million and 84.7 million, respectively and their GDP was estimated to be about US$33.6 billion, US$16.8 billion and US$31.7 billion respectively. South Sudan with a population of about 10.3 million had a GDP of US$13.2 billion, in 2011. All of these countries are categorized as low income countries.

3. Formal trade between Ethiopia and its neighbors is restricted both due to the limited transport access, though also a restrictive trade regime. The proposed program has been designed to facilitate trade amongst the four countries in the sub-region, namely: South Sudan, Uganda, Ethiopia and Kenya, through the improvement of the Juba-Nadapal road, which serves as a primary corridor connecting South Sudan and Kenya and with a spur road links to Uganda and Ethiopia, together with other focused interventions. The direct road link through Juba-Nadapal-Eldoret corridor will enhance the trade between Kenya and South Sudan, which is one of the biggest markets for Kenyan products.

4. The Juba - Nadapal – Eldoret road is an extension of one of the EAC road corridors, (designated as corridor No.3)the Biharamulo-Mwanza-Musoma-Sirari-Lodwar-Lokichogio corridor, linking South Sudan, Kenya, Tanzania and Rwanda, and further connecting to the Dar-es-Salaam-Dodoma-Isaka corridor, which joins the Trans East African Highway at Dodoma. Part of the Juba-Nadapal road, (Juba toKapoeta), serves the Kampala–Juba-Addis corridor, which links Uganda, South Sudan and Ethiopia, and further connects to Djibouti port. These corridors are not fully developed, and their improvement will be promoted in stages, starting with the Juba-Nadapal-Eldoret corridor, which has high potential to attract high volume of trade and traffic.

5. The program also has a strong trade facilitation component. Empirical evidence suggests that only about a quarter of the delays along the major transport corridors are as a result of poor infrastructure, the rest being due to non-tariff barriers and poor trade facilitation. Trade between the countries in the sub-region is restricted mainly due to: high logistics costs, customs regulations, informal cartels and limited competition in the trucking industry along the South Sudan regional transport corridors The long supply chain within South Sudan and the transit routes, which relies on a sequence of discrete operations involving many procedures, agencies and services; all are prone to rent-seeking activity and over regulation. Insufficient trust, harmonization and simplification of trade documentation add to the complexity of the transit regimes and hinder door-to-door deliveries.

The program will promote sound trade facilitation measures that will help to reduce non-tariff barriers and strengthen the institutional and legal base to enhance the efficiency of border management and cross border coordination.

6 . Trade flows through the main sea ports in eastern Africa are dominated by imports, which represent about 80 percent of the total trade volume, while export trade constitutes only about 20 percent. This imbalance demands harnessing all export development potentials to which the improvement of the road, trade facilitation measures, extension of the fiber-optic cable from Lokichoggio in Kenya to Juba, the promotion of export processing zones, and simplification of import export procedures could play a catalytic role. The anticipated development will also facilitate intra-regional trade, including exports of South Sudan's agricultural products to the markets in the sub-region.

Sectoral and Institutional Context

7. In 2007, three new road authorities were created in Kenya to manage the entire road network, Kenya National Highways Authority (KeNHA), Kenya Rural Roads Authority (KeRRA), and Kenya Urban Roads Authority (KURA). This arrangement was intended to separate policy formulation from execution of programs, and to provide greater transparency and accountability in the use of allocated resources. The 2010 Constitution has brought further changes creating two categories of roads, county and national and leading to the consolidation of all sub-sectors of transport under one ministry, the Ministry of Transport and Infrastructure (MoTI), re-established in April 2013. The MoTI has an oversight responsibility across all modes of transport. Kenya has established a Road Maintenance Fund, based on fuel levy, which generates about US$300 million annually for road maintenance. Customs is established as part of Kenya Revenue Authority (KRA). Border management and regional trade are complex and call the engagement of key stakeholder institutions, such as Kenyan Bureau of Standards (KEBS), Kenya Plant and Health Inspectorate Services (KEPHIS), Kenya Ports Authority (KPA), Ministry of Health, and Kenya Police.

8. In South Sudan, in July 2013, the former Ministry of Transport) responsible for overall transport sector policy and administration of air, rail and river transport and the former Ministry of Roads and Bridges, which was focussing on policy development and administration of roads were merged and re-established as the Ministry of Transport, Roads and Bridges (MTRB). The establishment of the South Sudan Roads Authority (SSRA) to focus on the maintenance and management of road development projects is underway, while the creation of a Road Fund has been accepted in principle. The South Sudan Customs Services (SSCS) has been established as part of the Ministry of Finance, Commerce and Economic Planning (MoFCEP). The other institutions playing critical role in cross-border traffic movement, such as immigration and police are recently re-established and need significant strengthening. There are also restrictions on the supply of road hauliers in country, reflecting the recent history and the relatively small market. In addition to MoFCEP, the lead institution on customs, commerce and development, the trade and development facilitation component will engage: the Ministry of Interior and Wildlife Conservation (MoIWC), the Ministry of Agriculture, Forestry, Tourism and Animal Resources, Cooperatives and Rural Development (MoAFTARCRD), the Ministry of Information, Broadcasting and Telecommunication and Postal Services (MoIBTPS), The South Sudan National Bureau of Standards (SSNBS) and MTRB, which are key stakeholders in the management of cross border movement of goods, people and services. The engagement of the stakeholders will be coordinated by a national corridor management committee to be established through a support to be provided under this program.

9. Intra-regional trade is of growing importance and significance in Eastern Africa. The EAC has enlarged to five members and established a customs union with a common external tariff (CET) and under the implementation of a common market protocol all the five members have made commitments to open up and create regional markets in several services sectors. The EAC member countries have accepted to remove restrictions on the free movement of workers and on the right of establishment, as well as to pursue mutual recognition of academic and professional qualifications. South Sudan has applied formally to join the EAC.

Relationship to CAS

10. The proposed program is aligned with and supports the core pillars of the new Africa Strategy, mainly the competitiveness and employment pillar, by improving the business environment and reducing trade and transport costs. It also supports the vulnerability and resilience agenda, as it aims to enhance trade competitiveness and regional integration, and contributes to rebuilding the new post-conflict nation, South Sudan. The proposed program is consistent with the objectives of the World Bank Regional Integration Assistance Strategy for Sub-Saharan Africa (RIAS 2008).

11. The program is also aligned with the Almaty Action Program of the United Nations for landlocked countries, and the regional integration initiatives of the African Union (AU) and the New Partnership for Africa's Development (NEPAD). The inclusion of the ICT connectivity component also delivers on the World Bank and African Development Bank's commitment on transformative ICT (eTransform Africa, 2012).

12. The proposed program supports the objectives of the Country Assistance/partnership Strategies (CASs) for South Sudan and Kenya. The draft Interim Strategy Note (ISN - FY13 to FY15) for South Sudan focuses on enhancing governance, non-oil based economic development and improving livelihoods, which attaches a high priority to transport, connectivity and trade operations. Under the ISN, a transport operation is suggested to support the rebuilding of the critical core road network of South Sudan and enhance regional integration through upgrading of the Nadapal to Juba road.

13. The World Bank 2010, Kenya Country Partnership Strategy (CPS) for the period FY2010-13, supports the creation of a stronger infrastructure asset base to achieve Kenya's comprehensive development strategy enshrined in Vision 2030 that is to transform Kenya into a middle income country by 2030, and foresees significant new transport sector infrastructure investments. The proposed project directly supports the CPS's stated objective of supporting regional integration through investments in regionally focused transport projects.

II. Proposed Development Objective(s)

Proposed Development Objective(s) (From PCN)

14. The proposed Program Development Objective (PDO) of the South Sudan – Eastern Africa Regional Transport, Trade and Development Facilitation Program is to enhance regional connectivity and integration of South Sudan with its Eastern Africa neighboring countries. This will be achieved through increasing transport efficiency, facilitating trade and development, connecting Juba with fiber optics, and linking South Sudan to an alternative sea port, Djibouti.

15. The proposed program helps the eastern part of South Sudan and the north western part of Kenya to boost export oriented agricultural development by facilitating increased agricultural production along the Juba-Eldoret corridor, endowed with abundant natural resources, through improved transport, trade facilitation ICT access, as well as development of export processing zones. The proposed program contributes to the overarching goal of facilitating and lowering the cost of intra-regional trade to support regional cooperation and integration of economies in the sub-region. The program helps South Sudan compete in the regional and global market. The program will also contribute to the reduction of transport cost that will help lower the cost of economic development, service delivery to the poor, and doing business in the program influence area.

16. The program will be implemented in a series of three projects (SOP). The proposed Project Development Objective of project one is to enhance connectivity between South Sudan and Kenya, as well as Mombasa Port, whilst facilitating trade and development along the Juba-Nadapal-Eldoret corridor.

17. The second project will focus on the improvement of the road infrastructure not covered under the first project and support priority trade and development facilitation along the Juba-Nadapal-Eldoret corridor. The third project will focus on enhanced support to trade facilitation measures along the priority corridors linking South Sudan to Mombasa and Djibouti ports through Ethiopia, and other countries of the East and Southern Africa. The third project will also include completing the rehabilitation of the remaining sections of the road infrastructure not covered under the previous phases on the Kenyan side. All the three projects support the overarching program objective.

Key Results (From PCN)

18. Expected outcomes of the proposed project, as a result of the road improvement, and the trade and development facilitation initiatives, include: (a) a reduction in average turnaround time of trucks between Juba and Mombasa; (b) an increase in outbound traffic from the project influence area; (c) an increase in the proportion of the core road network in good and fair condition; (d) direct project beneficiaries (number of which female - percentage); and (e) a reduction in transport cost along the program corridor. In addition, over the program period the implementation of the trade and development facilitation will result in (i) a reduction in border crossing time, (ii) a reduction in number of accidents, and (iii) an increase in services delivery and export processing as well as improvement in corridor management.

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III. Preliminary Description

Concept Description

19. The First Project:

SOUTH SUDAN

20. Component 1: Upgrading of priority road infrastructure (US$222 million): This component consists of:

Sub-component 1 (a): Upgrading of approximately 125 km of the Juba-Torit section of the Juba-Nadapal-Eldoret corridor (about US$158 million).

Sub-component 1 (b): Upgrading of approximately 40 km of the Kapoeta-Narus section of the Juba-Nadapal-Eldoret corridor and construction of bridges between Kapoeta and Nadapal (about US$50 million). This will focus on upgrading of the road to a gravel sub-base level and constructing bridges starting about 10 km from entering into Kapoeta and up to Nadapal, which are critical to ensure all season passability of trucks, through a design and build arrangement.

Sub-component 1 (c): Road repair of approximately 190 km sections between Torit and Kapoeta, and between Narus and Nadapal (US$2 million). In addition, GRSS will provide about US$3 million for compensations to be paid for land acquisition.

Sub-component 1 (d): Support to preparatory activities and capacity strengthening, planned to be carried out through a Project Preparation Advance (PPA), in the amount of US$1 million.

21. Component 2: Facilitation of Regional Transport, Trade and Development (US$9 million): This component supports promotion of sound transport, trade and development facilitation measures, increasing the efficiency of the corridors. This includes:

Sub-component 2(a): Support to MoFCEP/SSCS for establishing the institutional base and legal framework for trade and development facilitation (US$7.50 million), including: (i) carrying out a study on key regional corridors related to trade and development facilitation as well as transport review; (ii) introduction of corridor performance monitoring system (CPMS); (iii) preparation of transit transport agreement and protocol, customs procedures harmonization agreements, and support to the national corridor management. The transit agreement includes setting the legal and institutional arrangements for the establishment of One Stop Border Post (OSBP) at Nadapal and agreement on establishing a networked vehicle overloading control system between the two countries; (iv) provision of advisory services for the modernization of SSCS; (v) support to integrated border management through rationalizing and streamlining the number of formalities, number of agencies at the border post, and user fee structures; and (vi) provision of advisory services and equipment for the establishment of a Trade Information Platform/Portal within MoFCEP.

Sub-component 2 (b): Support to MTRB for the facilitation of transport, trade and development (US$1.50 million), including: (i) carrying out a study of social infrastructures and social services delivery needs assessment and conducting Road Safety audit along the Juba-Nadapal road; and (ii) carrying out studies and ESIA for services at rest stops, axle load control station at Nadapal, export processing zones (site and services, including access road, electricity, water, customs bonded warehouses, products certification office, etc), and storage facilities, as well as certification of export products and simplifying the process of import-export.

22. Component 3: Institutional Development and Program Management (US$3 million):

Sub-component 3(a): Strengthening of MTRB's institutional capacity through the provision of advisory services and training as well as preparation of sectoral governance and anti-corruption strategy to enhancing good governance in the transport sector.

Sub-component 3(b): Provision of advisory services, training and logistical support (including office equipment, materials, supplies) required to sustain management and coordination of Project implementation activities including audits and monitoring and evaluation of progress achieved in the execution of the Project. This will include support to institutions providing technical support to the project implementation.

23. Component 4: Connecting Juba with Fiber Optics (US$15 million): This component will support the construction of a fiber optic cable alongside the road from Juba into Kenya to bring high speed broadbandinternet connectivity into South Sudan for the first time. The construction of the road into Kenya offers a one-time opportunity to create a high-capacity, reliable terrestrial fiber link. On the Kenyan side of the border, fiber reaches as far as Lokichoggio, and from there connects to submarine cables off the coast at Mombasa. Constructing the fiber cable at the same time as the road will reduce costs and will avoid disruption if it is built at a later date. The fiber will be installed within the right-of way of the road, adjacent to the side drains in rural areas and under the pedestrian walkway in urban areas.

KENYA

24. Component 1: Facilitation of Regional Transport, Trade and Development (US$6 million)

Sub-component 1 (a): Support to KeNHA for facilitation of transport and trade (US$1 million), including: (i) Carrying out a study on social infrastructure and social services delivery needs assessment, and conducting Road Safety audit along the Nadapal-Eldoret road.

Sub-component 1(b): Support to KRA for facilitation of trade (US$4 million, including: (i) Capacity building and technical assistance for Strengthening the Customs Department; (ii) Introduction of CPMS.

Sub-component 1 (c): Support to MoTI for development of export processing zones and tourism (US$1 million, including: (i) carrying out of studies and ESIA for site and services for the export processing zones and tourist attraction sites, certification of export products and simplifying the process of import-export; and (ii) Support to national corridor management committee.

25. Component 2: Institutional Development and Program Management (US$3 million), including: Sub-component 2 (a): Institutional development and project implementation support to KeNHA, including technical audit, monitoring and operational cost; and Sub-component 2 (b): Support to MoTI for program coordination and implementation.

26. The second and third projects will support the overarching program objective and will have the following components:

27. Second Project (preliminary scope) includes :

28. Component 1: Support to MTRB and KeNHA for upgrading of road infrastructure (Investment requirement to be determined depending on the resources to be leveraged for the first phase-up to US$780 million): This includes:

(a) Upgrading of the Juba-Nadapal corridor in South Sudan - Upgrading of the remaining section between Torit and Nadapal road from the first phase. The African Development Bank (AfDB) is expected to support the upgrading of Torit - Lobira (about 70 km - US$100 million), while the

European Investment Bank (EIB) may provide support to the upgrading of part of the Kapoeta-Nadapal section.

(b) Asset management contract to maintain the sections upgraded under design and build arrangement in South Sudan.

(c) Support to KeNHA for the Upgrading of the Nadapal-Eldoret corridor in Kenya -Support to the upgrading of approximately 300 km of the Nadapal-Marich Pass section of the Juba-Nadapal-Eldoret corridor through design and build arrangement (US$330 million). The Nadapal –Eldoret road which will not be under upgrading contract will be maintained by KeNHA to ensure all season passability. The section between Marich Pass and Eldoret estimated at US$200 million is expected to be financed by Japan International Cooperation Agency (JICA). Both the European Union (EU) and the AfDB have also expressed interest and could provide support to part of the road between Lodwar and Marich Pass that will not be financed by the World Bank.

29. Component 2: Support to MoFCEP/SSCS, MTRB-SS, KRA, KeNHA and MoTI for Facilitation of Regional Transport, Trade and Development (US$50 million). Support to the implementation of the recommendations of transport, trade and development facilitation studies to be conducted under the first project e along the Juba-Nadapal-Eldoret corridor, and building on the interventions initiated in the first project, including (i) Corridor performance monitoring; (ii) Support to national corridor management committees; (iii) Strengthening the South Sudan Customs Services; (iv) Establishing OSBP at South Sudan and Kenya side of Nadapal, through a design-build (DB) arrangement; (v) Enhancing social infrastructure and social services delivery, including HIV/AIDS prevention, and Road Safety along the corridor; (vi) Establishing overloading control weighbridge at Nadapal on the South Sudan side; (vii) Support to provision of site and services to rest stops, export processing zones and storage facilities, as well as certification of export products and simplifying the process for import-export; and (viii) connecting export processing zones, rest stops and community centers and service centers along the corridor with ICT.

30. Component 3: Support to MTRB, SSCS, KeNHA, KRA and MoTI for Program Implementation and preparation of follow-on operations (US$10 million), including institutional development support to the program implementation en tities, as well as other institutions involved in trade and development facilitation and private sector stakeholders, such as freight forwarders and transporters association, and studies and design to provide access along Lobira-Kitgum and Gulu (Uganda).

31. The third project, primarily will focus on enhanced support to trade facilitation measures along the priority corridors linking South Sudan to Mombasa and Djibouti ports through Ethiopia, and other countries of the East and Southern Africa The third project will also finance the rehabilitation of the remaining sections of the Nadapal –Eldoret road not financed under the first and second projects. The activities under the third project are estimated to cost about US$175 million.

IV. Safeguard Policies that might apply

Safeguard Policies Triggered by the Project	Yes	No	TBD
Environmental Assessment OP/BP 4.01	x		

Natural Habitats OP/BP 4.04			×
Forests OP/BP 4.36		×	
Pest Management OP 4.09		×	
Physical Cultural Resources OP/BP 4.11	×		
Indigenous Peoples OP/BP 4.10	×		
Involuntary Resettlement OP/BP 4.12	×		
Safety of Dams OP/BP 4.37		×	
Projects on International Waterways OP/BP 7.50		×	
Projects in Disputed Areas OP/BP 7.60		×	

V. Financing (in USD Million)

Total Project Cost:	365.00	Total Bank Financing:	83.00
Total Cofinancing:		Financing Gap:	107.00

Financing Source	Amount
BORROWER/RECIPIENT	25.00
International Development Association (IDA)	83.00
Bilateral Agencies (unidentified)	150.00
Total	258.00

VI. Contact point

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