PROJECT INFORMATION DOCUMENT (PID)
APPRAISAL STAGE

Report No.: PIDA17103

Project Name	EA Regional Transport , Trade and Development Facilitation Project (Second Phase of Program) (P148853)
Region	AFRICA
Country	Africa
Sector(s)	Rural and Inter-Urban Roads and Highways (55%), Public administration- Transportation (20%), General information and communications sector (15%), General industry and trade sector (10%)
Theme(s)	Trade facilitation and market access (50%), Regional integration (30%), Infrastructure services for private sector development (20%)
Lending Instrument	Investment Project Financing
Project ID	P148853
Borrower(s)	THE REPUBLIC OF KENYA
Implementing Agency	Ministry of Transport and Infrastructure
Environmental Category	A-Full Assessment
Date PID Prepared/Updated	21-Apr-2015
Date PID Approved/Disclosed	21-Apr-2015
Estimated Date of Appraisal Completion	31-Mar-2015
Estimated Date of Board Approval	11-Jun-2015
Appraisal Review Decision (from Decision Note)	The Regional Operation Committee (ROC) Decision Meeting held on February 20, 2015, subject to integrating the feedback from the ROC meeting into the Project Appraisal Document (PAD) authorized appraisal. Appraisal was concluded on March 31, 2015.

I. Project Context

Country Context

Regional and National Context

Deepening regional connectivity and integration

The countries in the Eastern Africa sub-region, Kenya, Uganda, Tanzania, Burundi, Rwanda, Ethiopia, Democratic Republic of Congo (DRC) and South Sudan, potentially form a large regional market of over 200 million people. Transport links among these countries – except those connected by the northern corridor – are relatively poor and the performance of the ports of Mombasa and

Dar-es-Salaam are less than satisfactory. The high cost of internet access and the poor condition and in some cases non-existence of fiber optic links (such as in South Sudan and north western parts of Kenya) are an obstacle to effective information communication technology. Furthermore, procedures and requirements for cross-border trade are cumbersome. These factors combined with a range of technical, political and policy-related challenges hinder the movement of goods, people and information, and act as a major impediment to intra- and inter-regional trade, contributing to the under development of the sub-region.

The East African Community (EAC), the regional body for the integration of the sub-region, is implementing a common market protocol and a common customs territory. The trade and transport agenda of the EAC 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) and population of the EAC countries, in 2013, were estimated to be about US$109 billion and 153 million people, respectively. All of the EAC countries are categorized as low-income countries. Kenya is the largest economy in EAC and it has strong trade ties with the member countries. Although South Sudan is not yet a member of the EAC, its geographic location creates a great trade potential with Kenya. However, trade between Kenya and South Sudan is low, mainly due to limited physical access. For example, South Sudan, with an economy dependent on oil, accounts for about only 12 percent of Kenyan exports.

The 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. An assessment carried out to identify the development potential along the regional transport corridors in eastern and southern Africa shows that the exportable items from the region are currently limited and focused on agriculture and mining products, including export of oil from South Sudan. Intra-regional trade is also at a very low level.

Kenya is a relatively large country with a land area of 580,400 sq. km, with an estimated population of 44.4 million, in 2013. The population was 31.25 million in year 2000 and has been growing at an annual rate of 2.6 percent per annum. Its GDP was estimated at US$44.1 billion in 2013 (after the rebasing of the GDP was estimated at US$55.3 billion, in 2014) with considerable variation in past annual growth rates ranging from 0.6 percent in year 2000, 5.9 percent in 2005, 1.6 percent in 2008, to 5.3 percent in 2010. Gross National Income (GNI) per capita was US$930 in 2013, using the Atlas method. The national level poverty rate has not changed much since the early 1990s: it was 45.9 percent in 2005 and 44.8 percent in 1992. Life expectancy in Kenya has slowly increased from 53 years in 2005 to 61 years in 2012. Adult literacy rates have increased substantially from 74 percent in 2000 to 87 percent in 2009. Services represent the largest share of the economy with 67 percent of GDP in 2010, agriculture accounting for 19 percent (the share was 32 percent in year 2000) with industry representing 14 percent in 2010. However, in terms of employment and exports, agriculture is by far the most important sector with more than 80 percent in employment and more than 70 percent in export value derived from agriculture.

The strategy for Kenya and its development partners is to support the Government's Vision 2030, which aims for Kenya to achieve Middle Income Status by 2030. This would require growth to accelerate to an average of 10 percent annually, which is a very ambitious target. The key pillars of the Vision 2030 are to accelerate sustainable growth, reduce inequality, and manage resource scarcity. The economic, social and political pillars of the Vision 2030 are based on macro-economic stability, continuity of reforms in governance, enhanced equity, more wealth creation opportunities for all citizens; and infrastructural development.

The north western part of Kenya is largely a pastoral region comprising the Turkana and West Pokot counties, where the livelihood of the population relies on livestock. Turkana County is the poorest county in Kenya and it is highly marginalized geographically and historically. According to the Kenya Integrated Household Budget Survey (KIHBS) 2011/12 Basic Report, 94 percent of the population lives below the absolute poverty line as compared to 49 percent nationally. Literacy rate is only 19 percent compared to 79 percent of the national average. Similarly, the population of West Pokot County is poor and marginalized. This regional imbalance is attributable to its remoteness and poor access to services, markets and information, as well as an arid environment, in addition to the underlying causes of poverty experienced elsewhere in Kenya. The 2010 Constitution of Kenya places specific emphasis on the development of marginal areas, including the establishment of an Equalization Fund as a deliberate effort to support regions that lag behind in development compared to the rest of the country. As a result, Turkana County receives the highest amount of revenue in the country. The proposed operation will complement and enhance development efforts through other Bank financed projects that benefit West Pokot and Turkana counties such as the Regional Pastoralists Livelihoods Resilience Project, which has the objective of enhancing livelihood resilience of pastoral and agro-pastoral communities by improving access to markets in Uganda, Kenya and Ethiopia as well as improving the capacities of the governments of these countries to respond promptly and effectively to an emergency.

Sectoral and institutional Context

Facilitating sub-regional and international trade, and enhancing export oriented development

A significant portion of the road transport infrastructure in the sub-region has been in poor condition, although in recent years the extensive road rehabilitation programs in Ethiopia, Kenya, Uganda and Tanzania have improved the core road network. The logistical costs are high partly due to inefficient customs clearances and poor road conditions. The road transport network in Kenya is the largest in terms of size compared to the other countries in East Africa, with a total network size of 160,886 km (of which 14,100 km are paved and 146,786 km are gravel or earth) and over 60,000 km of unclassified community roads. The key challenge for Kenya is to bring the network in poor condition (56 percent) to good condition (currently just 11 percent), while ensuring that adequate maintenance is carried out on the rest. In Turkana County, about 400 km of the road network was paved. Unfortunately, due to lack of timely maintenance, many have now turned into a dirt road. Nevertheless, the county has a network of 2,505 km of all categories of classified roads compared to a surface area of 68,000 km2 translating to less than 0.04 km per km2. In South Sudan only 4,000 km of the 17,000 km classified roads are all-weather gravel roads. During the protracted civil war, this corridor offered the main access for South Sudan to Mombasa sea port and its neighboring countries. The corridor was also the main gateway for humanitarian aid and trade with Kenya. It also provided the only road access to the population in the south eastern part of South Sudan.

The pastoralist (Toposas) and the subsistence farmers on the South Sudan side are living a more impoverished life. The Juba-Nadapal/Nakodok-Eldoret corridor is the safest and most cost effective corridor connecting land locked South Sudan to the port of Mombasa. The average travel time between Mombasa and Juba through Nadapal/Nakodok is 5 to 8 days, while via Nimule, and Kaya (border between South Sudan and Uganda), it is 6 to 9 days, and 7 to 11 days, respectively.

The Juba - Nadapal - Eldoret corridor is an extension of one of the EAC road corridors, – designated as EAC corridor No.3 -, 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. The Program in the long-term envisages promoting the entire EAC Corridor No.3 as a development corridor (see map 2 in annex 2 for illustration of the EAC corridor). Further, part of the Juba - Nadapal road, Juba - Kapoeta, serves the Kampala - Juba - Addis corridor, which links Uganda, South Sudan and Ethiopia, and further connects to Djibouti port, and alternatively to Berbera port, in Somalia. This specific project focuses on segments within South Sudan and Kenya.

The Kenya - Uganda railway accounts for only about four percent of the cargo handled through the port of Mombasa. Plans exist for extending several railway lines, for example, the extension of the Port Sudan - Wau line to Juba and Gulu to merge with the operational railway at Tororo. There is an oil pipeline running between Mombasa and Eldoret with a spur to Kisumu (Lake Victoria) in Western Kenya and serving several East African countries. A section of the Eldoret-Juba corridor, namely Lokichar-Nadapal/Nakodok-Juba (over 600 km), forms part of the proposed Lamu Port South Sudan Ethiopia (LAPSSET corridor). A new standard gauge railway is proposed to link port of Mombasa to Kampala and Kigali via Nairobi. The construction of the Mombasa – Nairobi section has commenced with financing from China. Similarly, China is financing the construction of a standard gauge railway between Djibouti and Addis Ababa. The completion of these rail links will diversify and enhance competition among the existing modes of transport in the region.

In 2007, three new road authorities were created in Kenya to manage the entire road network, the 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 in the institutional arrangements by creating two categories of roads, county and national. In addition following the April 2013 general elections, the Government was reconstituted and among other things involved the consolidation of all sub-sectors of transport under one ministry, the Ministry of Transport and Infrastructure (MoTI). The MoTI has an oversight responsibility across all modes of transport. Kenya established a Road Maintenance Fund, based on fuel levy two decades ago, which now generates about US$300 million annually for road maintenance. Similarly, a Customs Department exists as part of the Kenya Revenue Authority (KRA) and its capacity needs to be strengthened. Border management and regional trade are complex issues and call for the engagement of key stakeholder institutions, such as Kenyan Bureau of Standards (KEBS), Kenya Plant and Health Inspectorate Services (KEPHIS), Kenya Ports Authority (KPA), Immigration, Ministry of Health, and Kenya Police. These institutions have been in place for a long period of time and have developed some capacity. Nevertheless, Kenya is re-examining these cross border management arrangements with a view of streamlining them for smooth movement of goods and people. Proposals have been made in creating a border control agency, similar to the arrangements at airports and sea ports.

The Logistic Performance Index (LPI)--estimated by the World Bank--shows, Kenya has been improving in terms of logistic performance since 2007. Kenya's overall index was 2.81 out of 5 (best performer), in 2014. Kenya was placed second among the ten top performers of the sub group of low income countries in the same year. Most of the improvement is attributed to the logistic infrastructure upgrading in recent years. Nevertheless, within the Index, the sub category of Customs has been losing positions due to less efficiency in the clearance process (i.e. speed, simplicity and predictability of formalities) by border control agencies including customs.

Rationale for Bank involvement

The Juba-Eldoret corridor provides the only road link to Turkana and West Pokot counties in Kenya, serving people living in extreme poverty. The road is in a deplorable state resulting in long travel time traversing the region and high transport costs. The region is cut off during occasional heavy rains. The prevailing conditions therefore present an unattractive environment for doing business. The improvement of the corridor will help reduce regional development imbalance in Kenya as well as improving the environment for stimulating economic development in the area including attracting private investment. Further, the corridor traverses a region that is a home of refugees and its improvement will help in the reduction in time and transportation costs of humanitarian aid to the people of South Sudan, presently suffering from conflict.

A regional route will have multifaceted strategic significance, inter alia:

(a) At regional level, it serves as a cost effective transit route connecting a land locked country to sea ports. As a development corridor, it facilitates agriculture based export growth by providing a reliable all season access road, reducing transportation cost, improving border crossing and designing and providing basic services to export processing zones. It will also facilitate cross border trade among micro enterprises and petty traders, who are mainly women. Moreover, it will enhance trade between neighboring countries by reducing transport cost among the trading partners in the sub-regional markets. It will also help to transport emergency humanitarian aid and movement of victims of conflicts; and

(b) At the national level, although the road infrastructure is built as a regional transit corridor, it will provide basic access to the local population living in the hinterland of the road, often marginalized population living under extreme poverty. Hence the investment could help reducing regional development imbalances. In addition, the road side markets provided under the project will serve as an outlet of local products, hence benefitting the pastoralist communities living along the corridor. The improved road and Information and Communication Technology (ICT) connection will help to attract investment and create job and economic opportunities for the local population. The corridor will serve as a main access for deprived communities and will help improve basic services delivery to them.

Through this project, the World Bank will be part of a broader initiative, together with a number of multilateral and bilateral donors in financing the upgrading of the road corridor, trade facilitating measures and installation and a fiber optic cable. The Governments of Kenya (GoK) and the Republic of South Sudan (GRSS) have requested the World Bank to take the lead in leveraging its convening power, knowledge, and experience to syndicate financing, especially from the various development partners, to support the development of the corridor. As of now, no development partner has expressed interest for the road section of the corridor that is planned under the Bank financing.

II. Proposed Development Objectives

Project Objective: The objective of the Eastern Africa Regional Transport, Trade and Development

Facilitation Project, Second Phase of Program (SOP2) is to improve the movement of goods and people along Lokichar – Nadapal/Nakodok part of the Eldoret-Nadapal/Nakodok road in the north western part of Kenya, in particular and to enhance connectivity between Kenya and South Sudan, in general.

III. Project Description

Component Name

Component 1: Upgrading Selected Critical Road Infrastructure in the Recipient territory-Kenya

Comments (optional)

This component includes support for upgrading the Lokichar-Nadapal/Nakodok (338 km of which 298 km to be financed by IDA) part of the Eldoret-Nadapal/Nakodok road in Kenya with the associated supervision costs, including the construction of: (a) Kalobeiyei River - Nadapal (88 km) ; (b) Lokitaung junction and Kalobeiyei River (80 km); (c) Lokitaung junction and Lodwar (80 km); (d) Lodwar and Loichangamatak (about 50 km); (e) Kainuk Bridge at Muruni River. GoK will finance the Loichangamatak-Lokichar junction (40 km) section at an estimated cost of US$70 million and the implementation of the RAPS.

Component Name

Component 2: Facilitation of Regional Transport, Trade and Development

Comments (optional)

This component supports promotion of sound transport, trade and development facilitation measures, to increase the efficiency of the corridor. This includes: Sub-component 2(a): Support for the implementation of trade facilitation measures, including designing One Stop Border Post ; Sub component 2 (b): Support for social infrastructure needs assessment and, design and implementation of pastoralist road side markets; and Sub-component 2 (c): Support the implementation of trade and development facilitation measures , including designing export processing zones, provision of site and services and certification of products.

Public Disclosure Copy

Component Name

Component 3: Institutional Development and Program Management

Comments (optional)

Sub-component 3(a): Strengthening of KeNHA’s and MoTI’s institutional capacity through provision of advisory services and training; Sub-component 3(b): Support to strengthen the National Transport and Safety Authority to implement the “Safe System and implementation of corridor Road Safety action plan along Eldoret – Nadapal road; Sub component 3 (c): Provision of advisory services, training, logistical support and operating Costs; 3(d): Preparing follow-on projects, including Technical Assistance (TA) to carryout preparatory studies for the third phase of the regional project and development of future follow-on regional transport and trade facilitations projects, as well as preparation of bidding documents for long term performance based maintenance contracts for the upgraded roads.

Component Name

Component 4: Enhancing Internet Connectivity

Comments (optional)

Support to KICTA for the construction of a fiber optic cable, alongside the part of the Juba-Eldoret road located in Recipient territory-Kenya, between Nadapal and Eldoret. Fiber spurs and rings will also be constructed and provision made for connecting refugee camps, schools, hospitals and other strategic locations including pastoralist road side markets, export processing zones, rest stops and community and service centers along the corridor in the Kenyan territory.

IV. Financing *(in USD Million)*

Total Project Cost:	676.00	Total Bank Financing:	500.00
Financing Gap:	0.00		

For Loans/Credits/Others	**Amount**
BORROWER/RECIPIENT	176.00
International Development Association (IDA)	500.00
Total	676.00

V. Implementation

Institutional and Implementation Arrangements
Partnership arrangements

The potential development partners that may support the infrastructure upgrading and trade and development facilitation along the Juba - Eldoret corridor, include: JICA, AfDB and EU/EIB/KfW, China EXIM Bank, Trade Mark East Africa (TMEA), and the World Bank. The United States Agency for International Development (USAID), which has a very active program in the region, could potentially be interested in promoting trade and development facilitation. To facilitate donor coordination, the governments of South Sudan and Kenya have successfully held a donors' consultative meeting on January 29 and 30, 2013 that was successful in drawing the road map for the implementation of the overall program.

Coordination

The overall program will involve South Sudan and Kenya. The implementation will be coordinated by the Joint Inter-Ministerial Committee (JIMC), representing MTRB of South Sudan, and the MoTI of Kenya. The two ministries have strengthened the JIMC by including key institutions involved in transit transport management. The JIMC engages with Inter-Governmental Agency for Development (IGAD), EAC and Northern Corridor Transit Transport Coordination Authority (NCTTCA) on trade facilitation matters and inter-country coordination. The JIMC will have an oversight responsibility and will be responsible for overall regional co-ordination.

Project Implementation

The Second Project will be implemented by KeNHA, KRA, MoTI and ICTA. The implementing entities will establish Program Management Teams (PMTs) assigning staff from within. MoTI will be responsible for the overall coordination and implementation of the project in Kenya, as well as the implementation of the development facilitation interventions. KeNHA will focus on road corridor upgrading. KRA will have the overall responsibility of implementing the trade facilitation measures on the Kenyan side while ICTA will be responsible for the ICT component. MoTI, KeNHA, KRA and ICTA all have experience in managing Bank supported projects and further TA to strengthening project implementation capacity will be provided under the project. The first phase of the project on the South Sudan side is under implementation by the MTRB, South Sudan Customs Services and Ministry of Telecommunications and Postal Services. The counterpart institutions on both sides are well connected and implement critical joint operations in close consultations.

Timeline. The second project is planned to be implemented over a period of six years, consisting of five years for the upgrading works and one year for defects liability period. The fiber optics will be implemented starting the first year of the second project. The first project in the South Sudan is under implementation over a period of five years. The third project will be implemented over a period of seven years. The Government of Kenya (GoK) has [prepared a Program Implementation Manual (PIM), providing guidance on program coordination, implementation of components, as well as fiduciary and safeguards responsibilities.

VI. Safeguard Policies (including public consultation)

Safeguard Policies Triggered by the Project	Yes	No
Environmental Assessment OP/BP 4.01	x	
Natural Habitats OP/BP 4.04	x	
Forests OP/BP 4.36		x
Pest Management OP 4.09		x
Physical Cultural Resources OP/BP 4.11	x	
Indigenous Peoples OP/BP 4.10	x	
Involuntary Resettlement OP/BP 4.12	x	
Safety of Dams OP/BP 4.37		x
Projects on International Waterways OP/BP 7.50		x
Projects in Disputed Areas OP/BP 7.60		x

Comments (optional)

VII. Contact point

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