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IDA/R2016-0036/1

March 10, 2016

**Closing Date: Tuesday, March 29, 2016  
at 6 p.m.**

FROM: Vice President and Corporate Secretary

**Rwanda - Urban Development Project**

**Project Appraisal Document**

Attached is the Project Appraisal Document regarding a proposed credit to Rwanda for the Urban Development Project (IDA/R2016-0036), which is being processed on an absence-of-objection basis.

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Report No: PAD1609

INTERNATIONAL DEVELOPMENT ASSOCIATION

PROJECT APPRAISAL DOCUMENT

ON A

PROPOSED CREDIT

IN THE AMOUNT OF SDR 68.9 MILLION

(US\$95 MILLION EQUIVALENT)

TO THE

REPUBLIC OF RWANDA

FOR AN

URBAN DEVELOPMENT PROJECT

MARCH 8, 2016

Social, Urban, Rural and Resilience Global Practice  
Country Department AFCE2  
Africa Region

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## CURRENCY EQUIVALENTS

(Exchange Rate Effective January 31, 2016)

Currency Unit = Rwandan franc (RWF)  
RWF 747 = US\$1  
US\$1 = SDR 0.72437523

## FISCAL YEAR

January 1 – December 31

## ABBREVIATIONS AND ACRONYMS

ACCA	Association of Chartered Certified Accountants
APR	Annual Progress Report
ARAPs	Abbreviated Resettlement Action Plans
BDU	Business Development Units
BDEU	Business Development and Employment Unit
BDC	Business Development Centers
CBD	Central Business District
CBO	Community-based Organization
CoK	City of Kigali
CPS	Country Partnership Strategy
CSO	Civil Society Organization
DC	Direct Contracting
DFID	Department for International Development (UK)
DDP	District Development Plan
DIRP	Districts Independent Review Panel
DP	Development Partners
DRC	Democratic Republic of the Congo
EDRPS	Economic Development and Poverty Reduction Strategy
EMPs	Environmental Management Plan
EICV	<i>Enquête Intégrale des Conditions de Vie</i> (Integrated Household Living Conditions Survey)
ESMF	Environmental and Social Management Framework
FMM	Financial Management Manual
FDI	Foreign Direct Investment
FSDP	Financial Sector Development Plan
GDP	Gross Domestic Product
GIS	Geographic Information Systems
GoR	Government of Rwanda
HUP	Hanga Umurimo Program
IBRD	International Bank for Reconstruction and Development
ICB	International Competitive Bidding
ICT	Information Communications Technology
IDA	International Development Association

IT	Information technology
ITC	Internal Tender Committee
IFAC	International Federation of Accountants
IFMIS	Integrated Financial Management Information System
IFRS	International Financial Reporting Standards
IMF	International Monetary Fund
IRR	Internal Rate of Return
IPSAS	International Public Sector Accounting Standards
KPI	Key Performance Indicator
KUUT	Kigali Urban Upgrading Team
LED	Local Economic Development
LODA	Local Administrative Entities Development Agency
MDG	Millennium Development Goal
MICST	Mobile Implementation and Capacity Support Team
MIFOTRA	Ministry of Public Service and Labor
MINALOC	Ministry of Local Government
MINECOFIN	Ministry of Finance and Economic Planning
MINEDUC	Ministry of Education, Science, Technology, and Scientific Research
MINICOM	Ministry of Trade and Industry
MININFRA	Ministry of Infrastructure
MINIREN	Ministry of Natural Resources
MINISANTE	Ministry of Health
MoU	Memorandum of Understanding
MSMEs	Micro Small and Medium Enterprises
MTEF	Medium-Term Expenditure Framework
MTR	Midterm Review
M&E	Monitoring and Evaluation
NBR	National Bank of Rwanda
NCB	National Competitive Bidding
NGO	Non-Governmental Organization
NISR	National Institute of Statistics Rwanda
NIRP	National Independent Review Panel
NPV	Net Present Value
NTB	National Tender Board
OAG	Auditor General of State Finances
O&M	Operations and Maintenance
OLSFP	Organic Law on State Finances and Property
OSR	Own Source Revenues
PAF	Performance Assessment Framework
PBF	Performance-based Financing
PCR	Physical Cultural Resources
PCU	Project Coordination Unit
PDO	Project Development Objective
PEs	Procuring Entities
PEFA	Public Expenditure and Financial Accountability
PER	Public Expenditure Review

PFM	Public Financial Management
PIM	Project Implementation Manual
PforR	Program for Results
PP	Procurement Plan
PIU	Project Implementation Unit
PU	Procurement Unit
RAP	Resettlement Action Plan
RDB	Rwanda Development Board
RECO	Rwanda Electricity Company
REMA	Rwanda Environment Management Authority
RFRP	Rural Feeder Roads Project
RGLTFP	Regional Great Lakes Trade Facilitation Project
RHA	Rwanda Housing Authority
RPF	Resettlement Policy Framework
RPPA	Rwanda Public Procurement Authority
RTDA	Rwanda Transport Development Agency
RUDP	Rwanda Urban Development Project
RWF	Rwandan Franc
SA	Social Assessment
SAI	Supreme Audit Institution - Office of the Auditor General of Government
SBD	Standard Bidding Documents
SMEs	Small and Medium Enterprises
SOEs	Statement of Expenditure
SPIU	Single Project Implementation Unit
SSS	Single Source Selection
SWAp	Sector-wide Approach
SWG	Sector Working Group
SORT	Systematic Operations Risk-Rating Tool
TA	Technical Assistance
TC	Tender Committee
TORs	Terms of References
TVET	Technical and Vocational Education and Training
BPR	<i>Banque Populaire de Rwanda</i>
UN	United Nations
UDG	Urban Development Grant
UNDB	United Nations Development Business
US\$	United States Dollars Currency
VUP	Village Umurenge Program
WB	World Bank

Regional Vice President:	Makhtar Diop
Country Director:	Diarietou Gaye
Senior Global Practice Director:	Ede Jorge Ijjasz-Vasquez
Practice Manager:	Sameh Naguib Wahba Tadros
Task Team Leader:	Meskerem Brhane
Co-Task Team Leader:	Jonas Ingemann Parby

**REPUBLIC OF RWANDA**  
**Urban Development Project**

**Table of Contents**

	<b>Page</b>
<b>I. STRATEGIC CONTEXT .....</b>	<b>1</b>
A. Country Context.....	1
B. Sectoral and Institutional Context.....	2
C. Higher Level Objectives to which the Project Contributes .....	4
<b>II. PROJECT DEVELOPMENT OBJECTIVES .....</b>	<b>5</b>
A. PDO.....	5
<b>III. PROJECT DESCRIPTION .....</b>	<b>5</b>
A. Project Components .....	5
B. Project Financing .....	9
C. Lessons Learned and Reflected in the Project Design.....	9
<b>IV. IMPLEMENTATION .....</b>	<b>10</b>
A. Institutional and Implementation Arrangements .....	10
B. Results Monitoring and Evaluation .....	11
C. Sustainability.....	11
<b>V. KEY RISKS.....</b>	<b>12</b>
A. Overall Risks Rating and Explanation of Key Risks .....	12
<b>VI. APPRAISAL SUMMARY .....</b>	<b>13</b>
A. Economic and Financial Analysis.....	13
B. Technical.....	14
C. Financial Management.....	15
D. Procurement .....	15
E. Social (including Safeguards).....	16
F. Environment (including Safeguards) .....	18
G. World Bank Grievance Redress.....	19

<b>Annex 1: Results Framework and Monitoring .....</b>	<b>20</b>
<b>Annex 2: Detailed Project Description.....</b>	<b>26</b>
<b>Annex 3: Implementation Arrangements .....</b>	<b>36</b>
<b>Annex 4: Implementation Support Plan .....</b>	<b>85</b>
<b>Annex 5: Economic Analysis.....</b>	<b>88</b>
<b>Map IBRD 42130</b>	

**PAD DATA SHEET**

*Republic of Rwanda*

*RW-Urban Development Project (P150844)*

**PROJECT APPRAISAL DOCUMENT**

*AFRICA*

*0000009348*

Report No.: PAD1609

<b>Basic Information</b>			
Project ID P150844	EA Category B - Partial Assessment	Team Leader(s) Meskerem Brhane, Jonas Ingemann Parby	
Lending Instrument Investment Project Financing	Fragile and/or Capacity Constraints [ ]		
	Financial Intermediaries [ ]		
	Series of Projects [ ]		
Project Implementation Start Date 29-Mar-2016	Project Implementation End Date 30-Jun-2021		
Expected Effectiveness Date 01-Jun-2016	Expected Closing Date 30-Jun-2021		
Joint IFC No			
Practice Manager/Manager Sameh Naguib Wahba Tadros	Senior Global Practice Director Ede Jorge Ijjasz- Vasquez	Country Director Diarietou Gaye	Regional Vice President Makhtar Diop
Borrower: Ministry of Finance and Economic Planning (MINECOFIN)			
Responsible Agency: Ministry of Infrastructure (MININFRA)			
Contact: Telephone No.:	David Niyonsenga 250788485162	Title: Email:	Division Manager david.n@mininfra.gov.rw

Project Financing Data(in US\$, millions)					
<input type="checkbox"/>	Loan	<input type="checkbox"/>	IDA Grant	<input type="checkbox"/>	Guarantee
<input checked="" type="checkbox"/>	Credit	<input type="checkbox"/>	Grant	<input type="checkbox"/>	Other
Total Project Cost:		100.00		Total Bank Financing: 95.00	
Financing Gap:		0.00			
<b>Financing Source</b>					
					<b>Amount</b>
BORROWER/RECIPIENT					5.00
International Development Association (IDA)					95.00
Total					100.00
<b>Expected Disbursements (in US\$, millions)</b>					
Fiscal Year	2017	2018	2019	2020	2021
Annual	5.00	25.00	30.00	25.00	10.00
Cumulative	5.00	30.00	60.00	85.00	95.00
<b>Institutional Data</b>					
<b>Practice Area (Lead)</b>					
Social, Urban, Rural and Resilience Global Practice					
<b>Contributing Practice Areas</b>					
–					
<b>Cross Cutting Topics</b>					
<input checked="" type="checkbox"/> Climate Change					
<input type="checkbox"/> Fragile, Conflict & Violence					
<input type="checkbox"/> Gender					
<input type="checkbox"/> Jobs					
<input type="checkbox"/> Public Private Partnership					
<b>Sectors / Climate Change</b>					
Sector (Maximum 5 and total % must equal 100)					
Major Sector	Sector	%	Adaptation Cobenefits %	Mitigation Cobenefits %	
Public Administration, Law, and Justice	Subnational government administration	50	–	–	

Transportation	Urban Transport	20	15	–
Water, sanitation and flood protection	Sanitation	5	3	–
Water, sanitation and flood protection	Solid waste management	5	3	–
Water, sanitation and flood protection	General water, sanitation and flood protection sector	20	10	–
Total		100		

I certify that there is no Adaptation and Mitigation Climate Change Co-benefits information applicable to this project.

### Themes

Theme (Maximum 5 and total % must equal 100)

Major theme	Theme	%
Urban development	City-wide Infrastructure and Service Delivery	30
Urban development	Urban planning and housing policy	15
Urban development	Urban services and housing for the poor	40
Urban development	Municipal governance and institution building	15
Total		100

### Proposed Development Objective(s)

The project development objective (PDO) is to provide access to basic infrastructure and enhance urban management in selected urban centers of the participating districts.

### Components

Component Name	Cost (US\$, millions)
Component 1: Provision of Basic Infrastructure in Secondary Cities	80.00
Component 2: Upgrading of Unplanned Settlements in the City of Kigali (CoK)	10.00
Component 3: Technical Assistance for Sustainable Urban Management	3.00

Component 4: Support for Project Management	2.00	
<b>Systematic Operations Risk-Rating Tool</b>		
<b>Risk Category</b>	<b>Rating</b>	
1. Political and Governance	Low	
2. Macroeconomic	Low	
3. Sector Strategies and Policies	Low	
4. Technical Design of Project or Program	Moderate	
5. Institutional Capacity for Implementation and Sustainability	Substantial	
6. Fiduciary	Substantial	
7. Environment and Social	Substantial	
8. Stakeholders	Moderate	
9. Other	–	
<b>OVERALL</b>	Substantial	
<b>Compliance</b>		
<b>Policy</b>		
Does the project depart from the CAS in content or in other significant respects?	Yes [ ]	No [ X ]
Does the project require any waivers of Bank policies?	Yes [ ]	No [ X ]
Have these been approved by Bank management?	Yes [ ]	No [ ]
Is approval for any policy waiver sought from the Board?	Yes [ ]	No [ X ]
Does the project meet the Regional criteria for readiness for implementation?	Yes [ X ]	No [ ]
<b>Safeguard Policies Triggered by the Project</b>	<b>Yes</b>	<b>No</b>
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			<b>X</b>
Projects on International Waterways OP/BP 7.50			<b>X</b>
Projects in Disputed Areas OP/BP 7.60			<b>X</b>
<b>Legal Covenants</b>			
<b>Name</b>	<b>Recurrent</b>	<b>Due Date</b>	<b>Frequency</b>
Project Implementation Manual		01-Aug-2016	
<b>Description of Covenant</b>			
The Recipient shall ensure and cause the Project Implementing Entity to, not later than two (2) months of the Effective Date, adopt a Project Implementation Manual containing detailed guidelines and procedures for the implementation of the Project.			
<b>Conditions</b>			
<b>Source Of Fund</b>	<b>Name</b>	<b>Type</b>	
IDA	Signature of the Subsidiary Agreement	Effectiveness	
<b>Description of Condition</b>			
The Subsidiary Agreement has been duly authorized or ratified by the Recipient and the Project Implementing Entity and is legally binding upon the Recipient and the Project Implementing Entity in accordance with its terms.			

<b>Team Composition</b>				
<b>Bank Staff</b>				
<b>Name</b>	<b>Role</b>	<b>Title</b>	<b>Specialization</b>	<b>Unit</b>
Meskerem Brhane	Team Leader (ADM Responsible)	Program Leader	Lead Urban Specialist	AFCE2
Jonas Ingemann Parby	Team Leader	Urban Specialist	Urban Specialist	GSU19
Mulugeta Dinka	Procurement Specialist (ADM Responsible)	E T Consultant	Procurement	GGO01
Lillian Brenda Namutebi	Financial Management Specialist	Consultant	Financial Management	GGODR
Abdu Muwonge	Team Member	Senior Urban Specialist	Urban Specialist	GSU13
Alice Usanase	Team Member	Consultant	Consultant	GTCAF

Belinda Mutesi	Team Member	Program Assistant	Program Assistant	AFMRW
Christopher J. Banes	Team Member	Consultant	Municipal Engineer	GWADR
Enagnon Ernest Eric Adda	Team Member	Senior Financial Management Specialist	Financial Management	GGO19
John Kalisa	Team Member	Consultant	Economist	GSU19
Joseph A. Gadek	Team Member	Consultant	Environmental Engineer	GSU13
Kaushal Jhalla	Team Member	Consultant	Geographic Information System (GIS) Specialist	GGOII
Lucy Kang'arua	Team Member	Program Assistant	Program Assistant	AFCE2
Maiada Mahmoud Abdel Fattah Kassem	Team Member	Finance Officer	Finance Officer	WFALA
Megha Mukim	Team Member	Economist	Economist	GTC01
Sandrine Twagirimana	Team Member	Consultant	Municipal Engineer	GSU19
Stephen Mugendi Mukaindo	Team Member	Counsel	Counsel	LEGAM
Sung Heng C. Kok Shun	Team Member	Senior Program Assistant	Senior Program Assistant	GSU13
Svetlana Khvostova	Safeguards Specialist	Natural Resources Management Specialist	Environmental Safeguards	GEN01
Tharcisse Musabyimana	Team Member	Consultant	Social Safeguards	GSURR
Uwagaga Francoise Kayigamba	Team Member	Consultant	Environmental Safeguards	GENDR
Yasmin Tayyab	Safeguards Specialist	Senior Social Development Specialist	Social Development	GSU07

<b>Locations</b>					
<b>Country</b>	<b>First Administrative Division</b>	<b>Location</b>	<b>Planned</b>	<b>Actual</b>	<b>Comments</b>
Rwanda	Northern Province	Musanze	X		–
Rwanda	Kigali	Kigali	X		–
Rwanda	Southern Province	Huye	X		–
Rwanda	Southern Province	Muhanga	X		–
Rwanda	Northern Province	Nyagatare	X		–
Rwanda	Southern Province	Rusizi	X		–
Rwanda	Western Province	Rubavu	X		–
<b>Consultants (Will be disclosed in the Monthly Operational Summary)</b>					
Consultants Required? Consulting services to be determined					



## I. STRATEGIC CONTEXT

### A. Country Context

1. Rwanda has made impressive progress in economic, environmental, human, and social development after the 1994 genocide. In the late 1990s, the country was characterized by deep and widespread poverty, abysmal health indicators, and pervasive food insecurity. Remarkably, between 1995 and 2013 the economy had quadrupled, thanks to effective use of foreign aid and prudent macroeconomic policy. Government policy has also focused on building institutional capacity, good governance, and a business-friendly environment, resulting in an annual gross domestic product (GDP) growth rate of 8 percent between 2000 and 2013—a 170 percent increase in real GDP—making the country among the ten fastest-growing economies in the world. This growth has been pro-poor: poverty rates declined from 59 percent in 2000 to 45 percent in 2010. During this time, the country also made impressive gains in health and education outcomes. Homegrown initiatives, most notably *Umuganda* (community work) and *Imihigo* (performance contracts), have contributed to this development progress.

2. According to the World Bank's *Rwanda Poverty Assessment* of April 2015, economic growth during the first half of the decade (2000 to 2010) was concentrated in the City of Kigali (CoK) and while it was pro-poor, it only benefited a fraction of the country's poor (in 2001, the CoK accounted for only 3.9 percent of the national poor and 4 percent of the total population). During the second half of the decade, however, growth was mostly concentrated in rural areas and led to a 12-percentage point reduction in poverty and inequality. Despite this progress, half of the rural population continues to live below the poverty line, compared to 22 percent of the urban population. Poor households in Rwanda's urban areas were also 14 percentage points more likely to exit poverty than their rural equivalents and the rate of chronic poverty was three times lower for urban than rural households. Rwanda's high population density, scattered settlements, hilly topography, and low urbanization rates create a strong pressure on arable land and constrains the transition from subsistence to more productive large-scale commercial agriculture.

3. Hence, the government views urbanization as a key driver to achieve the 11.5 percent annual economic growth needed to reduce poverty and move the country to middle-income status by 2020 as articulated in the country's Vision 2020. To turn this vision into reality, the country's Economic Development and Poverty Reduction Strategy (EDPRS II) 2013–2018 sets, as one of its key objectives, the transformation of Rwanda's economic geography by facilitating urbanization and promoting secondary cities as poles of growth. This would require transitioning 50 percent of the population from farm to off-farm jobs. Indeed, as the Bank's Rwanda Employment and Jobs Study of June 2015 confirms, there has been a marked move toward such nonfarm employment. Jobs in establishments, especially in the service sector, are also concentrated in urban agglomerations. Agricultural workers are increasingly taking up nonagricultural secondary jobs next to their main occupation on the land. Therefore, the Bank's Jobs Study also recommends that creating better conditions for secondary towns to grow, as expressed in EDPRS II, is likely to be associated with increased economic activity.

4. The urbanization objectives as expressed in EDPRS II support the emergence of a hierarchy of cities with complementary functions. As such, the government intends to continue investment in the CoK to enable it to emerge as a competent primary city that will make it an East African

hub and a national growth engine. Second, it will focus on developing a strong network of six secondary cities (Muhanga, Rubavu, Rusizi, Nyagatare, Huye, and Musanze) which will serve as a national urban backbone and as regional growth poles providing off-farm employment. The third level of agglomeration is in district centers which will remain connected to the CoK and the secondary cities and serve as local service providers to rural areas. Given the historic level of public underinvestment in secondary cities and their infrastructure deficit, EDPRS II stresses the importance of supporting secondary cities so that they become livable and continue to grow economically. The proposed project marks the Bank's reengagement in Rwanda's urban sector following the closure of the Urban Infrastructure and City Management Project in 2009 which the Implementation Completion and Results Report rated as Highly Satisfactory for achieving its development objectives.

## **B. Sectoral and Institutional Context**

5. Rwanda is one of the most densely inhabited countries in Africa and one of its least urbanized, with just 17 percent of its 11 million people living in urban areas. Nevertheless, the urban population has steadily been growing over the past several decades—from just 2 percent in 1960 to 4.6 percent in 1978, and 16 percent in 2012. With an annual urbanization rate of around 4.1 percent, according to the National Urban Policy (2015) the total urban population is expected to reach close to 30 percent by 2030. The CoK with a population of 1.1 million is significantly larger than all six secondary cities combined, which range in size from Rubavu's population of 149,209 to Muhanga's 50,608. Much of the urban growth thus far has been concentrated in the CoK which has been growing at an annual rate of 9 percent. In contrast, most of the secondary cities have been growing at a slower rate, ranging from 5.4 percent in Rubavu to 1.9 percent in Huye.

6. Despite recent progress, access to basic infrastructure continues to be a challenge in urban areas. This is in part caused by the high cost of infrastructure due to the country's landlocked nature and its hilly topography, exacerbated by inadequate urban planning tools and skilled staff at the local level. Roughly 60 percent of all urban households in Rwanda live in unplanned settlements where access to road and transport infrastructure, adequate tap water, electricity, and sanitation is limited. The Bank's Poverty Assessment found that in urban areas, those living in neighborhoods that lack infrastructure are typically among the poorest. As noted earlier, while poverty is mostly rural, rates in secondary cities vary from 37 percent in Nyagatare to 19.8 percent in Muhanga; it is lowest in the CoK (16.8 percent). All cities have significant populations living in unplanned settlements that lack basic infrastructure and are often situated in precarious areas that are prone to floods due to the country's hilly topography. The unplanned settlements vary in size from 37 percent in Musanze to 14.7 percent in Huye. The CoK has adopted a city-wide policy to eradicate informality through in situ upgrading programs that it intends to pilot. The government's approach is to promote inclusive urbanization by upgrading unplanned settlements before they expand any further and become prohibitively costly to do so. To support this effort, it undertook a national unplanned settlement inventory that is serving as a strategic guide for action. Nationally, the CoK is leading the way, making upgrading of unplanned areas its priority for the next five years. It is beginning this effort through a pilot upgrading program to develop a methodology and approach that will be effective and can subsequently be rolled out across the city.

**Table 1. Key Data on Project Cities**

City	Population	Population Growth Rate % (Medium Projection)	Urban Population Current Growth Rate %	Population Density (population per km <sup>2</sup> )	Urban Poverty Rate %	Urban Area (km <sup>2</sup> )	% Living in Unplanned Areas
Huye	52,768	4	1.9	1,454	21.5	36.3	14.7
Muhanga	50,608	3	2.6	1,333	19.8	38	13.4
Musanze	102,082	4	3.1	1,321	28.6	77.3	36.6
Nyagatare	47,480	7	9	386	37.1	123	n.a.
Rubavu	149,209	6	5.4	1,906	35.5	78.3	8.7
Rusizi	63,258	5	2.4	3,402	20.1	19	4.3
Nyarugenge (the CoK upgrading area)	284,860	20	20	2,127	10.1	134	60

*Source:* Feasibility Study Report (January 2016) for the Rwanda Urban Development Project (RUDP).

7. To respond to these challenges, the government formulated a number of strategies (for example, EPDRS II) and policies (the National Urban Policy and the National Housing Policy were both approved by Cabinet in 2015) that are guiding the urbanization process. The government of Rwanda (GoR) views the relatively low rates of urbanization as an opportunity to create a more efficient urban system. The National Housing Policy identifies unplanned settlement upgrading as a key strategy objective. The National Urban Policy emphasizes the need for spatial planning at the national, district, and city levels and development control to enforce planning standards. It suggests the need for adopting a nodal development approach to form dense and well-serviced, decentralized poles of growth by promoting the six secondary cities. These cities were selected based on their strategic location (see map in annex 6) and their unique economic positioning. For instance, Rubavu borders Goma in the Democratic Republic of Congo (DRC) and enjoys an active cross-border trade which could be further strengthened with infrastructure improvements. Musanze is a major tourist attraction, known to be the only home of the silver-backed mountain gorilla. Nyagatare is the country's dairy region and breadbasket. All require significant investment in basic infrastructure to serve their current population and promote local economic development (LED). Connectivity is poor in all the secondary cities, constraining local economic development and making it difficult for residents to access residential areas, places of work, and social services. For instance, although there has been an improvement in the quality and coverage of urban roads, in cities such as Rubavu and Rusizi, only about 30 percent of the roads are all weather. Moreover, in most neighborhoods, pedestrian movement is high, but the hilly terrains and high rainfall rates make mobility a challenge. Therefore, there is a clear need to expand the road network and connect isolated areas. The country's hilly topography also means that as the built environment expands with urbanization, some natural drainage channels are constrained, increasing the risk of urban floods.

8. Rwanda's decentralization process has advanced significantly in the last decade and it has successfully managed to create viable local governments with progressively improving capacities. However, district governments, the highest form of local government, should also cater to the differing needs of urban and rural areas under their jurisdiction. In other words, the six secondary cities are administered by district governments which are responsible for a much wider territory

with differing needs. This is challenging given the limited capacity of the district governments with regard to management, planning, budgeting, financial management, and revenue collection, which constrains their ability to deliver effectively on their mandate. Furthermore, current intergovernmental fiscal transfers have a built-in rural bias and do not take into consideration the specific financing needs of urban areas. Own source revenues (OSRs) are also limited. As a result, financing available for capital investments in secondary cities is insufficient to provide the level of service they require. The annual capital budget for entire districts ranges between roughly US\$4.5 million (Huye, Muhanga, Nyagatare, and Rubavu) and US\$2.7 million (Musanze), which is well below the general level of investments required for transformative infrastructure investments. Districts are largely unable to generate OSRs (only about 10 percent of their total budget is derived from OSR) and remain dependent on the central government. In contrast, estimates indicate that secondary cities would need to invest between US\$490 million and US\$610 million over the next 10 years to improve the levels of public service and cater to the targeted flow of new migrants from rural areas. These investments represent close to 6 percent of the GDP and far exceed the financial resources currently available.

9. In this context, key priorities for supporting Rwanda’s urban transition are as follows:
  - (a) Providing basic infrastructure through strategic identification, selection, and implementation of investments
  - (b) Promoting inclusive cities through effective approaches to unplanned settlement upgrading
  - (c) Developing the technical capacity of district governments to adequately manage, operate, and maintain basic infrastructure
  - (d) Supporting districts to create the enabling environment for local economic development (LED).

### **C. Higher Level Objectives to which the Project Contributes**

10. The proposed project will support the sector-specific priorities identified in EDPRS II, which in itself is aligned with the Bank’s Country Partnership Strategy 2014–2018, and both of which identify urban development as one of the strategic sectors to leverage the World Bank Group’s assistance for promoting private-sector-driven and job-creating economic growth. The project also contributes to the Bank Group’s twin goals of ending extreme poverty and promoting shared prosperity by improving access to basic infrastructure, especially in unplanned settlements where the urban poor reside, and in secondary cities which have suffered from an infrastructure deficit. Improved infrastructure creates the enabling environment for LED. Finally, the proposed project also complements the Bank’s ongoing portfolio—for instance, the Transport Global Practice is financing feeder roads in rural areas; the Agriculture Global Practice is supporting rural employment and agriculture transformation; and the Energy and Extractives Global Practice is supporting expansion of electricity access that would include the secondary cities. The Trade and Competitiveness Global Practice is supporting cross-border trade in Rubavu and Rusizi. These combined efforts will connect the cities to their hinterlands by enabling them to become centers of service and economic provision for their wider region.

## II. PROJECT DEVELOPMENT OBJECTIVES

### A. PDO

11. The project development objective (PDO) is to provide access to basic infrastructure and enhance urban management in selected urban centers of the participating districts.

#### **Project Beneficiaries**

12. The direct and indirect beneficiaries of the project are the population of the six secondary cities (totaling approximately 500,000 people) and the 19,000 residents of an 86 ha unplanned settlement in the CoK who will benefit from access to improved infrastructure. Additional project beneficiaries include the six district governments of the secondary cities and their technical staff, as well as the CoK, as the project will strengthen its capacity to manage urban areas. Finally, national government entities—the Ministry of Infrastructure (MININFRA), the Rwanda Housing Authority (RHA), and the Local Administrative Entities Development Agency (LODA)—will see their capacities strengthened for enabling the urbanization process.

#### **PDO Level Results Indicators**

13. The key results areas for the project are: (a) number of people in urban areas provided with access to all-season roads within a 500 meter range under the project; (b) land area provided with drainage services (ha); (c) increase in share of maintenance expenditures of district budget (percent); and (d) direct project beneficiaries (disaggregated by gender).

## III. PROJECT DESCRIPTION

14. The project provides an integrated package of support to address key challenges associated with Rwanda's urbanization: (a) access to basic infrastructure to promote livability and LED; (b) upgrading of unplanned areas to promote inclusive urbanization; (c) building the capacity of district governments for better urban management; and (d) supporting districts to engage with the private sector and enable LED.

### A. Project Components

#### **Component 1: Provision of Basic Infrastructure in Secondary Cities (US\$80 million)**

15. This component will support provision of basic infrastructure in the six secondary cities to enhance living conditions for residents and support LED. Eligible investments are those that are directly under the mandate of the district governments such as roads, drainage, solid waste management, and sanitation. This component will be implemented in two phases. The first phase, with an approximate budget of US\$4 million per district,<sup>1</sup> focuses on quick wins to allow district governments to demonstrate their ability to deliver early on during project implementation. These investments will consist of roads, sidewalks, footpaths, and public lighting to provide connectivity

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<sup>1</sup> Due to the fluctuation in materials and labor costs, cities may not be able to identify subprojects that exactly match the envelope of US\$4 million. Therefore, a cap of US\$4.5 million has been set for Phase 1. If a district exceeds the US\$4 million, the associated amount will be deducted from the Phase 2 allocation for the city.

across the city for both vehicular and pedestrian mobility, allowing access to social services, places of residence, and areas of economic activity. To create the enabling environment for LED, roads and associated infrastructure improvements will be made to connect Agakiro Centers (vocational centers<sup>2</sup> and workshops that house and train small and medium enterprises [SMEs]), commercial areas in the urban core, industrial parks, and Business Development Centers operated by the Rwanda Development Board (RDB).<sup>3</sup> A second set of investments will focus on drainage structures to reduce the risk of urban floods since many of the cities are located on hilly terrain where flash floods are becoming an increasing concern. Annex 2 provides a detailed list of investments.

16. During Phase 2, a wider set of interventions are planned, including urban upgrading—drawing on lessons from the pilot upgrading program in the CoK—and simplified solutions for solid waste management and sanitation as well as roads and drainage. This phased approach will allow districts to learn and hone their skills on infrastructure project implementation to more effectively undertake more complex initiatives.

17. The funds for the investments will be allocated through the Urban Development Grant (UDG)<sup>4</sup> split into a general pool (US\$75 million) and a performance pool (US\$5 million). The general pool will be distributed by a formula,<sup>5</sup> while the performance pool<sup>6</sup> will be based on progress achieved by each district in implementing RUDP subprojects. The performance of districts will be measured at midterm by comparing their plans for executing RUDP subprojects with their actual level of timely execution and conformity of the works with existing standards and within the estimated budget. The performance pool complements existing performance management systems, and is also designed to ensure effective implementation of Phase 1, with focus on effective contract management and delivery of services within budget and on time.

## **Component 2: Upgrading of Unplanned Settlements in the City of Kigali (US\$10 million)**

18. This component will support the upgrading of an 86 ha unplanned settlement in Nyarugenge District, comprising four cells (Rwampara, Kiyovu, Biryogo, and Agatare), located in the CoK's oldest neighborhood, close to the Central Business District (CBD). The project area is densely populated (220 people per ha) with a total population of almost 19,000. The upgrading of the site will serve as a model for community-based urban regeneration that can be scaled-up to

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<sup>2</sup> Typically, these centers host carpenters specializing in furniture making, welders, and so on.

<sup>3</sup> RDB is a government entity that brings together all government agencies responsible for the entire investor experience under one roof. This includes key agencies responsible for business registration, investment promotion, environmental clearances, privatization, and specialized agencies which support the priority sectors of information and communication technology (ICT) and tourism as well as SMEs and those responsible for human capacity development in the private sector.

<sup>4</sup> The UDG is a core part of the credit for which the Government of Rwanda is borrowing under the RUDP and will then on-grant to the 6 districts for investments in their respective secondary cities.

<sup>5</sup> See annex 2 for details on the formula. The formula takes into account the following elements and applies the weights indicated for each indicator—urban area, 50 percent; urban population, 20 percent; urban poverty, 20 percent; and urban population growth, 10 percent.

<sup>6</sup> The performance pool of US\$5 million will be distributed according to the following allocations: 30 percent, 25 percent, 20 percent, 15 percent, 5 percent, and 5 percent, respectively, from the best to the least performing district. The performance pool is expected to be a significant incentive given the large infrastructure deficit and the limited availability of funds for capital investments. Refer to annex 2 for additional details.

other parts of the CoK and to secondary towns in Rwanda. Planning and design undertaken during preparation actively involved local communities. Flexible infrastructure design standards have also been adopted with the fundamental objective of minimizing resettlement, land acquisition, and social disruption. The activities undertaken as part of project preparation combined with the experience to be gained during implementation will help establish the most appropriate approach for upgrading in the Rwandan context. These lessons will be shared and disseminated among key stakeholders, especially the district leaders, to scale up their approach. To further assist the scaling-up of urban upgrading initiatives, technical support will be provided to the RHA under Component 3.

19. Following the outcomes of detailed technical studies and the consultations conducted with the communities during preparation, this component will finance upgrading of roads, footpaths, and streetlights, in addition to secondary and tertiary drainage. The identified investments target key strategic areas in the settlement and will connect different parts of the areas currently suffering from poor mobility and connectivity, high risk of flooding, and insufficient access to services. All works identified will be constructed using flexible standards allowing for necessary adjustments to local conditions and population density levels, as well as to minimize resettlement and land acquisition costs. Special attention has also been paid to facilitate the most-used transport modes (walking, motorbikes, and bicycles) and, where possible, local materials and building traditions (for example, use of cobblestone streets) will be prioritized. The subprojects will be implemented in one single phase over the course of three to four years given the CoK's extensive experience in implementing complex infrastructure works and since a complete plan for upgrading the site has already been completed.

### **Component 3: Technical Assistance for Sustainable Urban Management (US\$3 million)**

20. This component provides technical assistance (TA) to the six districts to strengthen their capacity for urban management by focusing on four key priorities for achieving sustainable urban development: (a) building competitive cities by creating the enabling environment for LED; (b) support for managing urban infrastructure; (c) improving urban planning and strategic decision making through the use of Geographic Information System (GIS); and (d) capacity building for scaling up urban upgrading. In addition to advisory services, the component will finance the provision of equipment, software, and related goods as necessary.

#### *Subcomponent 3.1: Building Competitive Cities (US\$400,000)*

21. This subcomponent will support district governments in developing their skills in promoting LED. Activities are designed to complement the government's extensive program to promote LED by focusing on support to district governments to develop their skills in enabling LED through two core activities. First, the project will enhance the capacity of the six district governments to design, deliver, and monitor practical LED strategies driven by each district's unique strategic positioning. District staff, primarily the Business Development and Employment Units (BDEUs), will develop capacity to work with the private sector, including key clusters and micro, small and medium enterprises (MSMEs); upgrade the local business environment; and

facilitate access to local business resources (for example, Agakiro Centers<sup>7</sup>, Hanga Umurimo,<sup>8</sup> cooperatives, the Business Development Fund). District staff will learn to identify local, quality-of-life improvements as business development opportunities that would benefit from public-private partnerships. A district system for tracking business activity will be developed and operationalized.

22. Second, this component will support district governments in developing and implementing a branding, marketing, and communication plan for each secondary city aligned with the LED strategy and each city's unique strategic positioning. Marketing materials will be developed and promotional efforts launched to encourage investment (particularly from local entrepreneurs and MSME, as well as selected large investors in coordination with the RDB), and attract visitors and new residents to the city.

*Subcomponent 3.2: Support for Managing Urban Infrastructure (US\$2.25 million)*

23. TA and capacity building will be provided to the six districts to improve their ability to manage urban infrastructure with a focus on three key areas. First, districts will be provided with advisory services to assist them in implementing their RUDP infrastructure subprojects with a particular focus on procurement, contract management, financial management, engineering, and environmental and social safeguards aspects. Second, districts will be assisted in developing their capacity for managing their roads and drainage assets, with a view to strengthen their operations and maintenance (O&M) systems by using GIS based tools. Third, given that infrastructure investment requires significant financial resources, districts will be assisted to more effectively manage their revenues and expenditures.

*Subcomponent 3.3: Strengthening Coordinated Planning and Strategic Decision-Making through GIS based Tools (US\$150,000)*

24. This subcomponent supports the use of GIS for coordinated planning and strategic decision making in the six districts. It supports the rollout of MININFRA's geospatial database—which pulls together all GIS data collected by government institutions—to the six districts, allowing them to access and contribute to it. Specifically, districts will be able to use GIS as a tool for visualizing existing infrastructure, services, and settlement patterns for better capital investment planning in the annual, three-year, and five-year development plans. Second, they will be able to monitor urbanization trends and outcomes against standard indicators that would enable cross-city comparisons through a Decision Support tool that will allow both districts and MININFRA to digitally visualize and track city progress.

*Subcomponent 3.4: Support for Scaling up Urban Upgrading (US\$200,000)*

25. TA will be provided to the RHA in planning and implementing unplanned settlement upgrading programs in secondary cities which will be guided by the National Upgrading Policy

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<sup>7</sup> These centers are youth employment and vocational skills centers set up under a government program in all 30 districts in Rwanda.

<sup>8</sup> Initiated by the Ministry of Trade and Industry (MINICOM), the Hanga Umurimo Program was initiated to nurture an entrepreneurial culture among Rwandans and foster the emergence and growth of a locally based business class in pursuit of the Vision 2020 aspiration to transform Rwanda into a middle-income country.

and Strategy currently under preparation. Valuable lessons from the upgrading experience in Nyarugenge District will also be drawn. The TA could also include related tasks such as rolling out sites and services programs in urban areas.

#### **Component 4: Support for Project Management (US\$2 million)**

26. This component will support overall project coordination by MININFRA and project management of secondary cities by LODA. The activities supported include Single Project Implementation Unit (SPIU) staffing costs, training related to project implementation, safeguards monitoring, beneficiary surveys, design review, and supervision.

#### **B. Project Financing**

27. The estimated total cost for the project is approximately US\$100 million, of which US\$95 million is financed through the IDA credit and US\$5 million is from counterpart financing for resettlement compensation and associated safeguards costs. The detailed component costing is shown in Table 2.

#### **Project Cost and Financing**

**Table 2. Total Project Costs**

<b>Project Components</b>	<b>Project Cost (US\$, millions)</b>	<b>IDA Financing (US\$, millions)</b>	<b>Counterpart Financing (US\$, millions)</b>	<b>% Financing</b>
1. Provision of Basic Infrastructure in Secondary Cities	80	80	0	100
2. Upgrading of Unplanned Settlements in the City of Kigali (Nyarugenge District)	10	10	0	100
3. Technical Assistance for Sustainable Urban Management	3	3	0	100
4. Support for Project Management	2	2	0	100
5. Other Costs: Resettlement Compensation (and other safeguards)	5*	0	5	0
<b>Total Costs</b>				
Total Project Costs	100	95	5	100
Front-end Fees	0	0	0	0
<b>Total Financing Required</b>	100	95	5	100

*Note:* \*US\$5 million will come from counterpart financing and is an estimate taking into account the resettlement costs throughout the life of the project.

#### **C. Lessons Learned and Reflected in the Project Design**

28. The project builds on key lessons from the Bank-financed urban development projects across the globe, such as (a) the need for relatively focused and substantial investments to achieve tangible impact; (b) the importance of tying investments with TA to local governments (such as the use of GIS technology) so that they are able to better plan, operate, maintain, and sustain infrastructure investments; (c) incentivizing performance through grants for infrastructure; (d) the need to develop practical planning and development control capacity to mitigate against informality; (e) the need to assist local governments in strengthening their public financial

management (PFM) capacity, especially with respect to revenues and expenditures to ensure sustainability; and (f) the need to develop local government capacity for engaging with the private sector to promote LED. The project also builds on lessons from earlier Bank interventions in the urban sector in Rwanda, including the need to simultaneously build institutional systems, address urban inequality, and introduce incentives for performance.

29. In addition, given the Bank's extensive experience in upgrading, project design also takes into account key lessons from projects in Africa (such as the Dar es Salaam Metropolitan Development Project) and East Asia (such as the Vietnam Urban Upgrading Project). First, interventions should be planned and designed to ensure minimal resettlement to avoid social disruption and high cost. Second, functional standards should be adopted—that is, only adopt standards to provide for the important current and near-term basic needs of the community—and apply them flexibly. This usually means relaxing infrastructure/utility agency norms if costs are to be affordable and social disruption is to be minimized. Third, community participation is critical in deciding on interventions and their implementation for sustainability reasons. This could be documented in Community Upgrading Plans which should be validated and signed off by the community, including on any cost recovery and O&M agreements. Fourth, any 'off-site or primary infrastructure' needs should be assessed to ensure that the tertiary/secondary on-site infrastructure is able to operate effectively. Fifth, areas developed on unsuitable/unsafe/hazardous land should be identified and they should not be upgraded. Sixth, in packaging works, it should be ensured that construction is in multisector, area based packages for impact and minimal, 'once only' disruption. Finally, what communities can construct (that is, stand-alone facilities) and what would be better constructed by competent contractors (that is, network infrastructure) should be identified.

#### **IV. IMPLEMENTATION**

##### **A. Institutional and Implementation Arrangements**

30. Overall project coordination will be the responsibility of MININFRA given its institutional mandate for policy and coordination on urbanization. MININFRA will thereby ensure that project activities conform to national policies on urbanization. It will also serve as the direct interlocutor with the Bank and submit semiannual progress reports. A dedicated project coordinator is to be recruited at MININFRA to liaise closely with LODA and with the six districts and the CoK, as relevant.

31. LODA through its SPIU will be responsible for overall project management for Components 1 and 2, and under Component 3 for activities pertaining to the secondary cities. LODA will manage the designated account and will transfer funds to the project accounts of the six districts and the CoK. It will play a supervisory role, offering guidance to districts as they implement the project and focusing on technical, procurement, social and environmental safeguards, LED, and financial management aspects. Existing SPIU staff will be supplemented with dedicated staff to be hired under the project (for example, project coordinator and procurement, financial management, environment, and social safeguards specialists). Furthermore, the SPIU will hire and supervise a Mobile Implementation and Capacity Support Team (MICST), responsible for the delivery of TA described under Subcomponent 3.2, which will coach and handhold districts in all aspects of project execution and on district-wide expenditure and revenue management. LODA will also be responsible for hiring various consultancy services (for example,

construction supervision consultant, detailed design for Phase 2, and so on) to assist districts in the implementation of the works.

32. Each of the six districts and the CoK will be fully responsible for the implementation of their respective subprojects (for example, procuring works, managing and reporting on project expenditures, managing their respective project accounts, ensuring works are compliant with agreed safeguards policies, and so on). The executive secretary of each district and the City of Kigali will be the focal person for the RUDP at the local and will play a general coordinating role. Day-to-day implementation will be undertaken by a technical team appointed by the district, comprising an infrastructure engineer and procurement, financial management, environment, and social safeguards specialists. The CoK is forming the Kigali Urban Upgrading Team (KUUT) comprising nine staff to implement Component 2 of the project. The KUUT will be financed by the CoK.

## **B. Results Monitoring and Evaluation**

33. LODA and the districts will be responsible for monitoring and evaluation (M&E) activities under the project. In general, the GoR has a robust M&E system with clear guidance provided by the Ministry of Finance and Economic Planning (MINECOFIN) on sectoral reporting requirements that feed into tracking progress on achieving the EDPRS II targets. LODA has a well-developed manual for M&E and has a dedicated officer for the task. LODA's M&E system is already well understood by districts; hence, to the maximum extent possible, national systems will be used to track project results. LODA will be responsible for regular data collection from the districts and will prepare consolidated semiannual progress reports on the six secondary cities. The districts, with support from the MICST, will be responsible for reporting on results and progress on the project (both infrastructure and capacity building components) on a quarterly basis. Specific formats for reporting will be provided in the Project Implementation Manual (PIM). Regular monitoring reports will be complemented by periodic surveys as needed. The baseline conditions have been established through the Feasibility Study undertaken during preparation and will be followed up with beneficiary surveys and other assessments at the midterm review (MTR) and at project closing to evaluate qualitative and quantitative aspects of project results. In addition, technical and value-for-money audits will be carried out periodically to verify technical quality of infrastructure. The information and knowledge generated will be shared widely among project stakeholders at all levels.

## **C. Sustainability**

34. **Service delivery and asset sustainability.** LODA has been working with district governments to ensure that specific budgetary provisions are made for financing O&M for sustainability of infrastructure investments made with public financing. The Government has recently approved a policy to allocate 7 percent of investment costs for O&M, closer to the international standard of about 10 percent. At present, districts spend roughly 0.5 percent of investment costs on O&M. LODA has also prepared an O&M Manual for districts which has recently been adopted. First, the project puts in place a GIS-based urban road and drainage asset management system that will assist districts in efficiently undertaking their O&M tasks and also in planning for the adequate resourcing of this function. Second, it supports districts in enhancing their revenue and expenditure management capacity with a view to steadily increase their O&M

budgets, leveraging current government policy and actions to prioritize O&M. All six districts and the CoK have a well-functioning drainage maintenance and solid waste collection system that reduces any sustainability risks for new and/or improved drainage structures financed under the project.

35. **Institutional sustainability.** The project provides targeted assistance to districts in key areas of infrastructure delivery ranging from procurement of works to contract management and works supervision. Districts will also be supported in using GIS tools for effective spatial and capital investment planning that will result in more efficient urbanization. This is expected to reap longer-term institutional gains that would be integrated into the day-to-day business of the districts.

## V. KEY RISKS

### A. Overall Risks Rating and Explanation of Key Risks

Risk Category	Rating
1. Political and Governance	Low
2. Macroeconomic	Low
3. Sector Strategies and Policies	Low
4. Technical Design of Project or Program	Moderate
5. Institutional Capacity for Implementation and Sustainability	Substantial
6. Fiduciary	Substantial
7. Environment and Social	Substantial
8. Stakeholders	Moderate
<b>OVERALL</b>	Substantial

Source: Systemic Operations Risk-Rating Tool

36. **Overall risk is Substantial.** The overall risk is Substantial, mainly due to district-level capacity constraints, especially with regard to fiduciary, environmental, and social safeguards aspects.

37. The institutional capacity risk is Substantial. This is the first time districts will be directly implementing a Bank-financed operation, which in most cases will double or triple their capital budgets and is likely to stretch their human capacity further. While the districts have been endowed with more staffing and financial resources through the country's decentralization efforts, they lack the experience to manage large-scale infrastructure projects, especially in the technical and financial oversight aspects. The project mitigates this risk through the coaching and handholding services that will be provided by the MICST and through the direct oversight of LODA which already has an SPIU in place. The SPIU already has substantial experience in managing and overseeing donor-funded projects, including projects that are implemented directly at the district level.

38. The fiduciary risk is Substantial. The districts had qualified audits and faced structural challenges in financial reporting and accounting. Many of the district procurement officers lack experience. The project will mitigate these risks through the oversight and support mechanisms to be provided by LODA, including its internal audit function. The project supports full-time financial management and procurement specialists at the SPIU in LODA who will be responsible for overseeing completion of financial management and procurement tasks in a satisfactory

manner. In addition, the LODA SPIU will hire the MICST which will assist districts in completing their financial reports and procurement activities in a timely and accurate manner.

39. Environment and social safeguards risk is Substantial. The project will include a number of infrastructure activities, such as construction of secondary urban roads, drainage, street lighting, and so on, which trigger OP 4.01 - Environmental Assessment, OP 4.11 - Physical Cultural Resources and OP 4.04 - Natural Habitats. OP 4.12 on Involuntary Resettlement will also be triggered due to the location of investments in urban areas. The project is mitigating these risks by (a) prioritizing subprojects for Phase 1 that have limited social and environmental impact; (b) ensuring that all safeguards instruments (Environmental and Social Management Framework [ESMF], Resettlement Policy Framework [RPF], Environmental Impact Assessment [EIA]/Environmental Management Plans [EMPs]), Abbreviated Resettlement Action Plans [ARAPs], and Resettlement Action Plans [RAPs]) are finalized and disclosed; and (c) providing support to the districts through the MICST to manage, supervise, and implement the EIA/EMPs, ARAPs, and RAPs.

40. In addition, a key risk mitigation measure will be the strong implementation support and supervision that will be carried out in the first 12–18 months of the project to enable fast implementation and resolve any emerging issues early on (see annex 4 for details). The project will include targeted training and capacity building to the districts and LODA, in particular focusing on making them fully conversant with the Bank’s policies, procedures, and guidelines.

## **VI. APPRAISAL SUMMARY**

### **A. Economic and Financial Analysis**

41. The expected benefits closely linked to project investments include, among others, the following:

- (a) Enhanced connectivity within the six cities and the upgrading area of the CoK
- (b) Improved drainage systems
- (c) Facilitating the creation of more off-farm jobs
- (d) Enhanced efficiency gains due to improved institutional support for urban management
- (e) Enhanced living conditions for residents, for example, through the upgrading of an 86 ha unplanned settlement in the CoK
- (f) Potential health benefits due to reduction in the incidence of shocks associated with flooding and diseases, through improvements in drainage systems.

42. Cost-benefit analysis of the quantifiable benefits suggests that the urban infrastructure investments in the six secondary cities and in the upgrading area of the CoK are economically viable as shown by the net present values (NPVs) and the internal rates of return (IRRs) in Table 3. The sensitivity analysis shows that the results are highly sensitive to changes in regular and

periodic road maintenance, demonstrating how critically important it will be for districts to pay close attention to regular and periodic O&M of urban infrastructure investments in the project area. Annex 5 provides detailed description of the data and assumptions underlying the economic analysis of the RUDP.

**Table 3. NPV and IRR**

<b>Project Area</b>	<b>NPV (US\$)</b>	<b>IRR (%)</b>
Nyagatare subproject 1	3.24	14
Nyagatare subproject 2	4.69	20
Rubavu subprojects	8.69	17
Musanze subproject 1	2.42	16
Musanze subproject 2	4.05	14
Huye subprojects	3.74	18
Muhanga subproject 1	3.52	14
Muhanga subproject 2	1.82	20
Rusizi subprojects	5.75	15
Nyarugenge district (CoK) upgrading area	10.27	14

*Source: Team computation using primary data*

43. With regard to value addition of the Bank’s support, the project will contribute financial resources to overcome the numerous challenges of the country’s development and supports Rwanda’s strategies for the urban sector, one of the key priority areas of EDPRS II. At this stage, the Bank is one of the only development partners (DPs) providing substantial financing for infrastructure in the urban sector, and in this way, the Bank can become a catalyst for other donors to support the sector. IDA is currently financing the Rural Feeder Roads Project, the Regional Great Lakes Trade Facilitation Project (RGLTFP), and the Program-for-Results (PforR) on Public Sector Governance in Rwanda. These projects are complementary to the current project (addressing issues such as rural-urban connectivity, facilitating improved cross-border trade, and supporting reforms in PFM).

## **B. Technical**

44. The project is deemed technically sound and builds on the Bank’s credibility in the sector following the last operation which closed in 2009 (rated Highly Satisfactory). Investments in road upgrading will be implemented using technology and methods that are well known in Rwanda (such as asphalt, cobblestone, and concrete interlocking blocks) and no technical difficulties are foreseen in this area. As for other urban investments to be designed during implementation, all investments will be designed to correspond to local conditions and when possible will make use of labor-intensive methods accessible to local SMEs. To assure adequate technical design, the works will be overseen by dedicated supervision consultants, the MICST, the district technical staff, LODA SPIU, and the end users or beneficiary representatives. The proposed intervention of upgrading of unplanned settlements is deemed technically sound based on the experience from other countries and taking into account the legal and institutional framework of Rwanda. The proposed targeted interventions on capacity building and TA build on detailed diagnostic work conducted during the preparation phase.

### **C. Financial Management**

45. As part of project preparation, the Bank conducted a Financial Management Assessment of MININFRA, LODA, the CoK, and the six secondary cities (Huye, Rubavu, Rusizi, Muhanga, Musanze, and Nyagatare), which are the agencies designated by the GoR to implement the project. The objective of the Financial Management Assessment was to determine whether the financial management arrangements (a) ensure that project implementers are capable of correctly and completely planning and executing the budget and recording all transactions and balances relating to the project; (b) facilitate the preparation of regular, accurate, reliable, and timely financial statements; (c) safeguard the project's assets; and (d) are subject to auditing arrangements acceptable to the Bank. The assessment complied with the Financial Management Manual (FMM) for Bank financed investment operations that became effective on March 1, 2010, and the Financial Management Assessment and risk rating principles. The assessment concluded that the current project financial management arrangements, subject to the implementation of the mitigation measures proposed under the project, are adequate and meet the Bank's minimum requirements as outlined in OP/BP 10.00. The overall financial management residual risk rating is Substantial.

46. The arrangements for oversight and accountability are considered acceptable and include the internal oversight bodies (for example, MININFRA Project Coordination Unit [PCU] and the LODA SPIU, district councils) and external oversight bodies (the Office of the Auditor General of State Finances [OAG] audit report and parliament which reviews the OAG reports and approves the GoR budget which includes the project budget). Quarterly financial reports will be prepared according to the format agreed with the Bank. Current staffing arrangements are sufficient although with additional responsibility, LODA and the CoK will have to recruit an additional accountant each to be responsible for the project's accounting and financial transactions. LODA, the CoK, and the six secondary cities are all using the Integrated Financial Management Information System (IFMIS) to record financial transactions that are all subject to external audits by the OAG. LODA and the CoK both have experience in managing DP-financed operations. LODA is currently responsible for transferring funds to districts and supports districts in planning for the development budgets of all 30 districts and the CoK. To strengthen the internal control system, a PIM that covers financial management procedures for the RUDP has been prepared to complement the GoR accounting policies. The MICST to be hired under the project will coach and guide districts in undertaking their financial management responsibilities. In addition, the Bank will also provide guidance to the project financial management teams through periodic training and risk-based implementation support missions. These missions will review the project's financial management performance and provide the required support for its improvement. The detailed financial management risk and mitigating measures are presented in annex 3.

### **D. Procurement**

47. Based on the findings of the assessment undertaken during project preparation, the procurement risk is rated Substantial primarily because of the inadequate experience of procurement officers working in the implementing entities. With the exception of the CoK, the procurement officers have no experience in processing procurement of works and goods through International Competitive Bidding (ICB) or selection of large value contracts for consultancy services, based on the Bank's Procurement Guidelines. They also do not have experience with implementation of Bank-financed projects. However, with the implementation of the suggested

mitigation measures such as approving the PIM, strengthening the capacity of LODA SPIU by hiring a procurement specialist, mobilizing the MICST to provide the necessary support to districts, and closely monitoring and supervising implementation, the risk can be improved to Moderate.

48. Procurement activities will be implemented by MININFRA, LODA, the CoK, and the six secondary cities, under the coordination and oversight of MININFRA and the overall project management of the LODA SPIU. The 18-month initial Procurement Plan (PP) (or simplified PP) for the whole project will provide the basis for the procurement methods and has already been prepared based on the outcome of the Feasibility Study and community consultations in each district.

49. Procurement under the proposed project will be carried out in accordance with the Bank's 'Guidelines: Procurement of Goods, Works and Non-Consulting Services under IBRD Loans and IDA Credits & Grants by World Bank Borrowers' dated January 2011 and revised in July 2014; 'Guidelines: Selection and Employment of Consultants under IBRD Loans and IDA Credits & Grants by World Bank Borrowers' dated January 2011 and revised in July 2014; 'Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants (the Anticorruption Guidelines)' dated October 15, 2006 and revised in January 2011; and the provisions stipulated in the Financing Agreement. The various items under different expenditure categories are described in the attached PP in annex 3. The procurement methods, thresholds, and requirements for prior review are also presented in the PP.

#### **E. Social (including Safeguards)**

50. **Subproject investments.** The investment under Component 1 will support provision of basic infrastructure in the six secondary cities to enhance living conditions for residents and also support LED. All the proposed subprojects, such as inner city roads and drainage systems under the RUDP, are for rehabilitation and upgrading of existing infrastructure, removing any risk or impact to physical cultural sites, natural habitats, forests, and ecologically sensitive areas. These subprojects are expected to improve public access to social services and facilities such as health centers, graveyards, schools, churches or community centers, and commercial areas. The first phase of the RUDP mainly focuses on upgrading the existing murram roads to either asphalt or cobblestone, which is expected to improve connectivity between settlements and city centers.

51. **Social impacts.** The focused nature of the proposed infrastructure subprojects spread across seven cities will be largely labor-intensive with limited use of light or small machinery. It is envisaged that the RUDP will provide employment to the local population through the deliberate efforts of the implementing agencies to ensure that contractors hire from communities with special provisions made for vulnerable groups, including women-headed households, to undertake the work. The RUDP is projected to provide between 3,000 and 10,000 manual jobs over two years of implementation of subprojects in the first phase, and nearly double the number in the second phase of implementation.

52. In the border towns of Rusizi and Rubavu, rehabilitation of roads under the project will greatly benefit the roughly 25,000 to 40,000 small-scale traders (86 percent of whom are women) who trade in food and household items by traveling between Rwanda and the DRC, mostly on foot

carrying goods on their heads or on hired motorcycles and bicycles. The road improvements are expected to greatly reduce the distance between markets in the two countries. For instance, the upgrading of one of these roads in Rusizi will link the Rwanda-DRC border with the market in Nyamasheke that will be constructed under the RGLTFP. In summary, improved connectivity through the RUDP will link different communities to commercial centers, markets, and other socioeconomic facilities and enhance the well-being of the community in general and women specifically. It is also expected to stimulate LED with regard to growth in trade, movement of merchandise, increase in local and international tourism, and service delivery.

53. **Citizen engagement.** The identification and prioritization of the first phase of investments has been undertaken through a robust citizen engagement process in all six secondary cities and the CoK.<sup>9</sup> Consultation workshops were led and managed by the district governments (and observed by the Bank team) comprising men and women residents of the project-affected neighborhoods, cell and sector leaders, district leaders and their technical staff, opinion leaders, local experts, community-based organization/civil society organization/nongovernmental organization representatives as well as those from the central government. Consultants responsible for the Feasibility Study and the Social Assessment were also present to provide any technical input as necessary. The RUDP was generally viewed positively by communities in the respective project areas. The consultation with the citizens in each city was meaningful and resulted in identifying the priority list of investments in the first phase. For example, in Nyagatare, the women in the community prevailed in including a road that leads to the hospital (maternity ward). Likewise in Rusizi, women traders prioritized the rehabilitation of the road that would considerably reduce the distance from the DRC border to the Nyamasheke market. Beneficiary citizens across the RUDP cities expressed that the proposed subprojects would bring the following benefits: (a) improved town connectivity and accessibility; (b) improved health; (c) social cohesion and engagement; and (d) increased economic opportunities.

54. Investments for the first phase were deliberately prioritized to require minimal expropriation of land and displacement. Nyagatare, Rusizi, Rubavu, Huye, and Muhanga were able to completely avoid expropriation in the first phase, while Musanze and the CoK managed to significantly limit the need for expropriation. The ESMF includes beneficiary feedback mechanisms focused on planning, budgeting, and implementation of subprojects. The engagement with the community will continue throughout the construction phase. Since resettlement planning implies critical decisions regarding the future of the displaced groups, the district teams with support from the MICST, and overseen by LODA, will remain engaged with the communities in the implementation of the RAPs. This will improve the understanding of the needs of the community, help reduce the stress associated with dislocation, and accelerate the subsequent transition to and integration within the new settlements. Similarly, on matters of health and safety of the community during the construction phase, the districts will engage with the affected community to disseminate the ESMP to prevent accidents and manage any other adverse impact.

55. **Social safeguards.** The RUDP is a category B project, given that it finances activities with minimal social and environmental impacts, such as rehabilitation of existing urban roads and construction and maintenance of drainage systems. The project interventions will trigger Bank OP 4.12 on Involuntary Resettlement. The Social Assessment undertaken during project preparation

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<sup>9</sup> A separate report on citizen engagement has been prepared and is available in the project files.

and the field visits by the Bank team to the secondary cities confirmed that there will be no large-scale or irreversible social and environmental impacts. The first year pipeline interventions require RAPs (or ARAPs) in Musanze and Nyarugenge District of the CoK and ESMPs. Preparation of these instruments have been closely coordinated with the feasibility and technical design consultants. In addition, an RPF and an ESMF that also covers social aspects has been prepared for the urban infrastructure investments not yet identified for Phase 2. The investments under the first phase have been selected with least and/or minimal expropriation of land and displacement of communities, businesses, and services. In some cases, the displacement of households and expropriation of land has been avoided, minimized, and/or managed by introducing, where possible, a degree of flexibility in construction standards and by applying an active community participatory planning, implementation, and maintenance process for neighborhood improvement. All social safeguards documents—the RPF, ARAPs, and ESMF—have been disclosed in the country through MININFRA’s website (<http://www.mininfra.gov.rw/index.php?id=256>) and at the Bank’s InfoShop on January 12, 2016.

56. **Involuntary displacement and resettlement.** Assessment of the project sites indicates that implementation of the RUDP subprojects will displace and/or partially affect 26 households in Musanze City (partially affect 24 households and relocation of 2 kiosks along the road). Also, in Nyarugenge District of the CoK, 34 households will be relocated and approximately 255 households will experience partial and limited impact (a meter or half a meter of boundary walls will be pushed back). To mitigate the impacts, the ARAPs for the city of Musanze and for Nyarugenge District in the CoK have been prepared and disclosed. The cost of compensation and implementation of safeguards more broadly will be the responsibility of the district governments (including Nyarugenge District in the CoK) who have already made the required budget provisions.

57. **Safeguards Grievance Redress Mechanism (GRM).** The RPF and the ESMF include provisions for receiving and addressing complaints at the community level that may arise with the planning, preparation, and implementation of the proposed subprojects under the RUDP. The project will utilize the government-established GRM which operates at the district level and based on several legal provisions (for example, the Expropriation Law). The district governments will be responsible for the establishment and familiarization of the public with the ESMP and the GRM in each of the cities. All construction-related complaints will be handled according to the RPF and the ESMP at the district level. The district implementation teams with technical support from the MICST and the LODA SPIU will remain engaged with the community in each of the cities to provide a feedback loop for information sharing and receiving and mitigating complaints.

## **F. Environment (including Safeguards)**

58. **Policies.** The project interventions trigger Bank OP 4.01 - Environmental Assessment, OP 4.04 - Natural Habitats, and OP 4.11 - Physical Cultural Resources. Based on the project screening and the findings of the Environmental Management Framework, the proposed project activities were identified to have small- to medium-scale impacts localized to the project sites, mostly reversible with implementation of appropriate mitigation measures. OP 4.04 is applicable to the project as several of the secondary cities are located in proximity to lakes, rivers, and wetlands, which may require specific design and/or mitigation measures to avoid or minimize negative impacts on these habitats. However, the project sites will not be located near protected areas or

parks. The project also triggers OP 4.11 on Physical Cultural Resources as some of the project investments will involve significant civil works, thus needing a procedure to manage chance finds. The preparation screening confirmed that there are no known physical cultural resources at the potential project sites in the six secondary cities and the CoK. The pre-appraisal mission findings confirmed the project's Environmental Assessment category B assignment. Since the specific investments were confirmed only for the first year of project investments, an Environmental Management Framework has been prepared to cover activities for the entire duration of the project implementation period and address issues such as road rehabilitation (with minor construction), drainage works, small to medium solid waste management investments, and sanitation works. The first year interventions required an EIA with the ESMPs for six secondary cities and the CoK, covering road and drainage rehabilitation works. These ESMPs will be part of the bidding documents. The project team held a set of public consultations and the ESMF and Environmental and Social Impact Assessment (ESIA)/ESMP were publicly disclosed in Rwanda on January 12, 2016 and in the Bank's InfoShop on January 12, 2016. The updated ESIA has been cleared and redisclosed in Rwanda and the Bank's InfoShop on January 28, 2016.

59. The preparation of the initial set of investments has been coordinated with the Feasibility Study and design consultants to ensure that the design includes appropriate sustainability mechanisms and maximizes the potential positive impacts of the proposed projects while minimizing the negative impacts. For example, the project ESMPs are envisioned to be used as tools during implementation. In the proposed drainage projects in Huye and Musanze – where activities will affect private land during construction – the ESMP will guide the team by providing mitigation measures to avoid and minimize disturbance.

60. **Institutional capacity.** Presently, the capacity to manage the social and environmental impacts of project implementation needs to be strengthened at MININFRA, LODA, and district levels. MININFRA already has a social and environment specialist. The SPIU under LODA will hire a dedicated social and environment specialist whose time and costs will be shared between the RUDP and the Bank-financed RGLTFP, which also has activities managed by the SPIU in LODA. In addition, the MICST will also support the SPIU in supervising and guiding each of the six districts as they implement safeguards activities under the project. The districts already have environmental officers working under the One-Stop Center.

## **G. World Bank Grievance Redress**

61. Communities and individuals who believe that they are adversely affected by a Bank-supported project may submit complaints to existing project-level GRMs or the Bank's Grievance Redress Service (GRS). The GRS ensures that complaints received are promptly reviewed to address project-related concerns. Project-affected communities and individuals may submit their complaint to the Bank's independent Inspection Panel which determines whether harm occurred, or could occur, as a result of Bank noncompliance with its policies and procedures. Complaints may be submitted at any time after concerns have been brought directly to the Bank's attention and the Bank Management has been given an opportunity to respond. For information on how to submit complaints to the Bank's corporate GRS, please visit <http://www.worldbank.org/GRS>. For information on how to submit complaints to the Bank's Inspection Panel, please visit [www.inspectionpanel.org](http://www.inspectionpanel.org).

## Annex 1: Results Framework and Monitoring

**Country: Rwanda**

**Project Name: RW-Urban Development Project (P150844)**

### Results Framework

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#### Project Development Objectives

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PDO Statement

The PDO is to provide access to basic infrastructure and enhance urban management in selected urban centers of the participating districts.

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**These results are at** | Project level

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#### Project Development Objective Indicators

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##### Cumulative Target Values

Indicator Name	Baseline	YR1	YR2	YR3	YR4	End Target
Number of people in urban areas provided with access to all-season roads within a 500 m range under the project (Number) - (Core)	36,299.00	39,455.00	70,402.00	87,547.00	106,026.00	118,805.00
Land area provided with drainage services financed under the project (ha)	0.00	271.00	948.00	1,567.00	2,629.00	3,479.00
Increase in share of maintenance expenditures of district budget (Percentage)	6.50	7.00	7.50	8.50	9.50	10.00
Direct project beneficiaries (Number) - (Core)	0.00	5,600.00	50,400.00	62,400.00	75,200.00	88,000.00
Female beneficiaries (Percentage - Sub-Type: Supplemental) - (Core)	0.00	51.70	51.70	51.70	51.70	51.70

## Intermediate Results Indicators

Indicator Name	Baseline	Cumulative Target Values				
		YR1	YR2	YR3	YR4	End Target
Urban roads rehabilitated or constructed (km)	0.00	9.00	34.00	50.00	68.00	81.00
Stand-alone drains constructed or rehabilitated under the project (km)	0.00	3.00	12.00	19.00	32.00	44.00
Unplanned settlement area upgraded (ha)	0.00	0.00	25.00	50.00	86.00	86.00
District system for tracking business activity operational (Text)	No standard system in place	Template designed for analyzing current business activity data	Data collected for tracking business activity	Districts report on business activity	Districts produce enhanced reports on business activity	System for tracking business activity fully operational
Districts use GIS as key planning tool (Text)	GIS not used as a planning tool.	Districts gain access to MININFRA's geoportal and key staff trained in its use	Districts maintain and update geo-information about local assets	Four districts demonstrate use of GIS in their District Development Plans	Four districts demonstrate use of GIS in strategic investment planning and annual planning procedures	Four districts demonstrate use of GIS in strategic investment planning and annual planning procedures
District infrastructure management system for road and drainage assets operational (Text)	No standard system in place	Initiate inventory of urban roads and drainage assets	Roads and drainage conditions data enhanced to develop full O&M requirements	Five-year O&M requirements developed based on realistic, projected budgets	First year of the O&M plan implemented in at least three districts	Second year O&M plan implemented in at least four districts
Participants in consultation activities during project implementation (Number) (Core)	0	300	700	500	1,000	700

Participants in consultation activities during project implementation – female (Number)	0	150	350	250	500	350
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### Indicator Description

#### Project Development Objective Indicators

Indicator Name	Description (indicator definition etc.)	Frequency	Data Source / Methodology	Responsibility for Data Collection
Number of people in urban areas provided with access to all-season roads within a 500 meter range under the project	All-season road is defined as a road that is passable all year by the prevailing means of transport (e.g. a car, fire truck, or ambulance which may not have four-wheel drive). Predictable interruptions of short duration during inclement weather (e.g. heavy rainfall) are acceptable, particularly on low-volume roads. Road access in slums often does not exist and presents additional risks to residents in case of emergencies as ambulances or fire trucks cannot enter. It also reduces ability for home-based income-generating activities as it is difficult to bring goods and supplies in and out without road access. Guidance on people with access: The data on the number of people provided with access will come from estimates by TTLs, and can be measured by assessing the kilometers of roads constructed or rehabilitated, and estimates of the population in the project area within a 500 meter range that will access these roads (based on population density estimates). 500 meters is roughly equivalent to 5-10 minutes walking time. It is expected that the baseline value for this indicator will be zero.	Annual	District population records, project progress reports. With support from the districts and the CoK, LODA tracks this indicator as a function of the implementation of the civil works contracts.	Districts, CoK, LODA SPIU
Land area provided with drainage services financed under the project	Measures the total area of land provided with improved drainage services as part of a catchment system and thereby reduces the risk	Annual	Project progress report. With support from the districts, LODA tracks this indicator as	Districts, CoK, and LODA SPIU

	of urban floods in the six secondary cities and the CoK.		a function of the implementation of the civil works contracts, as reflected in district progress reports.	
Increase in share of maintenance expenditures of district budget.	Measures O&M expenditures as a share of total district expenditures (calculated on the basis of the executed budget at the end of each fiscal year, taking into account all budget lines associated with maintenance and repair). The baseline is FY14/15 covering the different expenditures of districts for rehabilitation and maintenance.	Annual	Project progress reports. On an annual basis, LODA must consolidate the executed expenditures and consolidate the expenditures on rehabilitation and maintenance. In this way, LODA will provide both the performance of each of the 6 districts and the aggregate performance.	Districts and LODA SPIU
Direct project beneficiaries	Direct beneficiaries are people or groups who directly derive benefits from an intervention (i.e., children who benefit from an immunization program; families that have a new piped water connection). Please note that this indicator requires supplemental information. Supplemental Value: Female beneficiaries (percentage). Based on the assessment and definition of direct project beneficiaries, specify y what proportion of the direct project beneficiaries are female. This indicator is calculated as a percentage.	Annual	District population records, training records provided by consultants (such as MICST, LED consultants etc).	Districts, CoK, LODA SPIU
Female beneficiaries	Based on the assessment and definition of direct project beneficiaries, specify what percentage of the beneficiaries are female.	Annual	Two different types of data are to be applied. First, calculate 51.7% of the total number of beneficiaries of infrastructure investments to derive the female beneficiaries. Second all trainers and capacity building consultants (e.g., MICST, LED consultants etc) are to keep track of the number of male and female	Districts, CoK and LODA SPIU

			participants in their activities. This exact number is used to derive the female beneficiaries of TA activities under the RUDP.	
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### Intermediate Results Indicators

Indicator Name	Description (indicator definition etc.)	Frequency	Data Source / Methodology	Responsibility for Data Collection
Urban roads rehabilitated or constructed	Measures cumulative length of all newly constructed and/or rehabilitated roads in the 6 secondary cities and COK and thereby improvements in urban accessibility. Road-side drains are systematically included in the road improvements and will not be double counted under the project.	Annual	Project progress reports. With the support from districts, LODA tracks this indicator as a function of the implementation of the civil works contracts, as reflected in district progress reports	Supervision engineers reports/Districts and COK/LODA SPIU
Standalone drains constructed or rehabilitated under the project	Measures cumulative length of all newly constructed and/or rehabilitated stand-alone drains under the Project and thereby the improvements in flood control and storm water drainage. Drains to be measured will not include road-side drains (In both 6 secondary cities and COK).	Annual	Project progress reports. With the support from districts, LODA tracks this indicator as a function of the implementation of the civil works contracts, as reflected in district progress reports.	Supervision engineers reports/Districts and COK/LODA SPIU
Unplanned settlement area upgraded	Measures total number of hectares of unplanned settlements that have benefited from a package of planned interventions (such as rehabilitated roads, footpaths, public lighting, bridges, drainage structures, etc.) designed to improve overall living conditions in the area.	Annual	Project progress reports. With the support from CoK, LODA tracks this indicator as a function of the implementation of a package of civil works contracts, as reflected in CoK's progress reports. During phase 2 some districts may also undertake similar upgrading initiatives and their progress will be tracked.	Supervision Engineers Reports/ COK/LODA SPIU
District system for tracking business activity operational.	Internal system for employment and business establishment activity data will be tracked and	Semi-annual	Project progress reports. With the support from districts and	6 districts and LODA

	analyzed by local BDEUs for systematic reporting. Fully operational means agreed upon template for business activity data is populated, roles and responsibilities for updating and tracking the data are clear, and the data is updated and reported on a regular basis.		the mobile teams, LODA tracks this indicator on the basis of the agreed targets and verification protocols as presented in the PIM.	
Districts use GIS as key planning tool	Measures urban management capacity for investment and spatial planning in the 6 districts. Districts are expected to have access to MININFRA's geo data portal but also have the capacity to maintain and upload local data as well as to interpret and analyze the data. Users are expected to be engineers and staff of One Stop Centers, district technical staff and the GIS officer.	Semi-annual	Visits to districts to observe GIS lab in operation; review of district annual investment plans, 3 & 5 year plans reflecting use of GIS. District progress reports include information on the use of GIS tools in planning.	Districts, MICST, MININFRA and LODA
District infrastructure management system for road and drainage assets operational	Measures capacity of the 6 districts to maintain and operate an infrastructure management system for roads and drainage structures. Fully operational means that the GIS tool is functional, data on roads and drainage structures in urban areas of the 6 districts have been inventoried, districts are able to do simple queries to assist them in preparing their O&M plans.	Semi-annual	Project progress reports. Visits to districts to observe the GIS tool in operation. Verification protocol defined in the PIM.	Districts, MICST, and MININFRA and LODA
Participants in consultation activities during project implementation (Core)	This indicator measures the level of community engagement in project implementation.	Semi-annual	Progress Reports	Districts, LODA and MICST
Participants in consultation activities during project implementation - female		Semi Annual	Progress Reports	Districts, LODA and MICST

## **Annex 2: Detailed Project Description**

### **RWANDA: Urban Development Project**

1. The project development objective is to provide access to basic infrastructure and enhance urban management in selected urban centers of the participating districts. The Rwanda Urban Development Project (RUDP) is designed to address core challenges and leverage existing opportunities in Rwanda's urbanization. It supports the Government's clearly articulated policy of prioritizing the development of the six secondary cities to serve as regional pull factors for urbanization through service provision, local economic development and job creation. Furthermore, it supports the City of Kigali's vision of becoming an East African hub by focusing on neighborhoods that have not benefitted from the city's increased economic growth of the past decade. It provides an integrated package of support focusing on the following areas: (i) access to basic infrastructure services in secondary cities to promote livability and local economic development; (ii) upgrading of unplanned areas to promote inclusive urbanization; and (iii) building the capacity of district governments for better urban management.

2. The project will fill a wide gap in Rwanda's current development partner financing and will leverage the comparative advantage of the World Bank in supporting urban development. No other development partner has mobilized substantial resources for urban development, especially outside Kigali. The Bank's appointment as co-chair of the Urban and Rural Settlement sector working group provides a strategic opportunity to assist Government in making timely and strategic choices about investments and policy reforms for enabling effective urbanization. The project design reflects a clear effort to enhance urban planning and management capabilities at the district level and builds on the existing gains that Rwanda has made in enhancing the ability of district governments to spearhead their own development.

#### **Component 1: Provision of Basic Infrastructure in Secondary Cities (US\$80 million)**

3. This component will support provision of basic infrastructure in the 6 secondary cities to enhance living conditions for residents and support local economic development. Eligible investments are those that are directly under the mandate of district governments – roads, drainage, solid waste management and sanitation.<sup>10</sup> This component will be implemented in two phases. The first phase, with an approximate budget of US\$ 4 million per district<sup>11</sup>, focuses on quick wins to allow district governments to demonstrate their ability to deliver early on during project implementation. It will also allow them to improve their capacity for capital investment planning and for managing large infrastructure investments, and thereby prepare them for the additional US\$8 to US\$ 10 million under phase 2.

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<sup>10</sup> Other key networked urban services such as electricity, water supply and sewerage are the mandate of national utilities and have not been included in the RUDP. However, coordination of these services and their oversight is the responsibility of MININFRA which is also mandated to guide the urbanization process. Districts are also able to effectively coordinate all these services working closely with national government agencies.

<sup>11</sup> Due to the fluctuation in materials and labor costs, cities may not be able to identify subprojects that exactly match the envelope of US\$ 4m. Therefore, a cap of US\$4.5m has been set for Phase 1. In case a district exceeds the US\$ 4m, the associated amount will be deducted from the Phase 2 allocation of the city.

4. The Phase 1 subprojects will consist of roads, footpaths and street lighting to provide connectivity across the city for both vehicular and pedestrian mobility, allowing residents to have unfettered access to areas of economic activity, social services and places of residence. At present the lack of a hierarchy of roads and fully integrated road network is significantly curtailing mobility within the city. Only around 30% of roads in secondary cities are all weather. No city has sufficient facilities for pedestrian, bicycle and motorbike access – the primary means of transport for most residents. Hence the prioritization of connective infrastructure by all cities. In Muhanga, Rubavu and Nyagatare, subprojects include roads connecting core urban areas to Agakiro centers, thus serving key areas for LED. Moreover, in Rubavu, the investments include an important link to a border trade post, *petite barrière*, which will link the city to the important market center of Goma in the DRC. The second set of subprojects include environmental and physical measures to mitigate against flood risks, primarily consisting of standalone drainage structures against 10-year flood events. The hilly topography of most of the cities and increased building activity in some areas is resulting in environmental degradation which is interfering with the natural drainage systems. Flood mitigation measures were identified following an assessment of all major catchment areas within and around the city. Musanze and Rubavu in particular have chosen to focus a significant portion of their phase 1 activities in flood mitigation measures. All six cities have already demonstrated their ability to maintain standalone drainage structures, especially since the existing effective solid waste collection systems ensure that drains are not clogged by discarded waste. Nearly 80 percent of the phase 1 investments will be in the roads sector<sup>12</sup> and 20 percent will finance standalone flood mitigation measures.

5. Phase 2 investments will include urban upgrading, drawing on lessons from the experience to be gained from the pilot upgrading program in Kigali under Component 2. Already, with the support of the Rwanda Housing Authority which is mandated to guide local governments on urban planning and development, two cities (Huye and Musanze) are preparing detailed studies of areas that will be upgraded, building on the experience of the CoK that has already been gained as part of RUDP preparation (Component 2). Furthermore, it is anticipated that simplified solutions for solid waste management and sanitation might also be included under Phase 2.

6. The priority investments were selected following a detailed feasibility study by a consulting firm hired by MININFRA as part of the preparation of the RUDP. Focusing on the roads, drainage, solid waste and sanitation sectors, the consultants (i) reviewed all district planning documents, especially the District Development Plans (DDPs) and Master Plans; (ii) analyzed past and current growth patterns of the secondary cities; (iii) discussed the investment priorities and options with the district officials; (iv) consulted with the private sector and community members to ensure effective prioritization of investment needs; (v) analyzed the existing urban infrastructure facilities, especially networked infrastructure such as roads and drainage and advised on improving connectivity; and (vi) for the first phase, proposed investments with minimal negative social and environmental impacts. This process has led to the identification of a long list of priority investments worth approximately US\$ 20 million for each of the secondary cities. Some important investments have been deferred to Phase 2 because of social and environmental safeguards considerations and to provide the time required to undertake detailed mitigation measures and secure government funds required to finance compensation. In addition to the roads and drainage

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<sup>12</sup> The Rwandan standards of road construction require the inclusion of side drains. Therefore, the full network of roads under the RUDP will include drains.

sector, the feasibility study proposes interventions in solid waste management and sanitation that could be taken up during Phase 2 or through other resources, should the districts identify these interventions as a priority. The study also specifies the location of unplanned settlements and highlights the importance of upgrading. While a full feasibility study will not be required to specify investments during Phase 2, the long list will be revisited and new priorities assessed as they emerge. Finally, design of infrastructure works under the project also takes into consideration possible effects of climate change<sup>13</sup> which in Rwanda is primarily associated with changes in rain fall patterns. All drainage works will be designed taking into account more frequent and severe flooding events due to climate change.

7. The consultants have prepared the preliminary designs and will prepare the detailed designs in order for the bidding process to be launched once the project becomes effective by June 2016. The table below presents the subprojects planned for phase 1.

**Table 2.1. Phase 1 Subprojects for Secondary Cities - Total estimated outputs and costs (US\$, millions)**

City	Roads			Drainage		
	kilometer	US\$ million	US\$ mil / km	kilometer	US\$ million	US\$ mil / km
Rusizi	4.67	4.49	0.96	0.38	0.07	0.18
Rubavu	3.85	3.34	0.87	1.91	1.22	0.64
Nyagatare	3.98	4.01	1.01	2.17	0.46	0.21
Musanze	4.66	4.48	0.96	0.98	0.46	0.47
Muhanga	4.96	4.64	0.94	1.14	0.18	0.16
Huye	4.48	4.09	0.91	4.04	0.67	0.17
<b>Total</b>	26.60	25.05	0.94	10.62	3.06	0.29

### ***The Urban Development Grant***

8. The US\$80 million available for the investments will be allocated to the six secondary cities through the Urban Development Grant (UDG)<sup>14</sup> split into a general pool (US\$ 75 million) and a performance pool (US\$ 5 million). The general pool will be distributed by a formula that applies four indicators: size of urban area<sup>15</sup> (to capture urban investment needs); size of the urban population and urban population growth rate (to capture urbanization pressures); and urban poverty. The following relative weights for each indicator have been applied: urban area 50 percent, urban population 20 percent, urban population-growth 10 percent, and urban poverty 20 percent. The performance-based allocation features only at midterm and measures district capacity to effectively implement their RUDP subprojects. Specifically, at midterm, districts will be

<sup>13</sup> Early during project preparation, a climate change screening assessment was carried out and determined that risks associated with climate change for this project – all on adaptation - are medium to low and risks that do exist are associated with changes in rain fall patterns.

<sup>14</sup> Approximately seven different options for the allocation formula were presented and discussed before the final selection was made. The project paper, “Urban Development Grant and Technical Assistance Options” presents a detailed discussion of these options.

<sup>15</sup> Since district administrations are responsible for both urban and rural areas, there is no administrative structure or physical boundary that officially designates the territories of the secondary cities. However, the NISR does have definitions of urban and rural “cells” which is being applied here.

assessed on the basis of timely completion of works, adherence to estimated costs and conformity of the works with existing standards. The 6 districts will then be ranked against these results.<sup>16</sup>

9. The UDG will be allocated in two phases. The first tranche will only draw on the general pool and finances the Phase 1 subprojects, equivalent to approximately US\$24 million and for a notional amount of US\$4 million, capped at US\$4.5 million per city. The second tranche will draw on the remainder of the general pool (US\$51 million) and the performance allocation (US\$5 million). While the base performance pool amount is US\$5 million, the grant design allows for a contingency in the event that some districts fall behind in their subproject implementation. At midterm, any uncommitted funds of the Phase 1 allocations may potentially be reallocated to the performance pool (sending a strong signal to lagging cities) and will also facilitate the timely completion of the RUDP. The RUDP funds will more than double the existing available financing for capital budgets in the secondary cities. Development budgets for entire districts range between a maximum of US\$4.58 million (Huye) and a minimum of US\$2.7 million (Musanze).<sup>17</sup> In short, given the significant investment needs for infrastructure, combined with the culture of performance contracts at every level of public service in Rwanda, the performance pool is expected to create sufficient incentive for improving infrastructure delivery.

**Table 2.2. General Pool Allocation Phases 1 and II (excludes performance pool) – US\$ m**

Cities	Phase I allocation	Phase II Base grant	Total initial allocation
Huye	4.000	8.667	12.667
Muhanga	4.000	7.081	11.081
Musanze	4.000	8.125	12.125
Nyagatare	4.000	9.900	13.900
Rubavu	4.000	9.110	13.110
Rusizi	4.000	8.118	12.118
Total	24.000	51.000	75.000

10. The two-phase allocation, starting with a relatively small amount for the first two years, is designed to ensure a smooth start to the program as the cities learn to select, structure, and implement subprojects. The larger amount for the second phase provides cities the time to prepare more complex interventions during the first two years of the RUDP for effective implementation during subsequent years of the project. Some cities, however, may face challenges in absorbing their full allocations, despite the technical assistance being provided to mitigate such risks. The phased approach will also allow the project to reallocate funds across districts in the case of limited uptake. This will ensure that the RUDP can be completed as planned.

11. Eligible investments under the UDG are those that are under the mandate of district governments. In addition to physical works, eligible expenditures under the fund include the cost

<sup>16</sup> The performance pool will be distributed according to the rank of each district (as measured against their planned and actual subproject completion rates, within budget and in compliance with established standards) as follows: 1=30%, 2=25%, 3=20%, 4=15%, 5=5%, 6=5% = 100% of the total pool. See Table 3 for simulated indicative allocation for performance.

<sup>17</sup> Other examples include Muhanga (US\$4.5m); Nyagatre (US\$4.5m); Rubavu (US\$4.3m) and Rusizi (US\$4m).

of engineering designs and review as well as engineering supervision. To access the UDG districts are required to make public their executed and planned budgets (starting with the 2014/2015 fiscal year) and a summary description of the RUDP, including the final list of subprojects to be financed under the project.

## **Component 2: Upgrading of Unplanned Settlement in the City of Kigali (US\$10 million)**

12. This component will support the upgrading of an 86 hectare unplanned settlement in Nyarugenge District comprising of 4 cells (Rwampara, Kiyovu, Biryogo and Agatare), located in Kigali's oldest neighborhood close to the Central Business District (CBD). It will finance upgrading of roads and footpaths with street lighting in addition to secondary and tertiary drainage structures. The investments identified cover key strategic areas and will enable linkages between different parts of the area that are currently suffering from poor mobility and connectivity, high risk of flooding, and insufficient access to services. All works identified will be constructed using flexible standards allowing for necessary adjustments to local conditions, including population density. The RUDP upgrading criteria was developed through the CoK's Structure Planning and Capital Investment Planning process in tandem with the draft Guidelines (Guidance Note) for Upgrading of Infrastructure in Unplanned and Predominantly Low Income Communities developed with World Bank assistance. This helped to establish a basis for operational flexibility. The investments will focus on facilitating pedestrians and those using motorbikes and cyclers as these are the most prevalent modes of transport in the area, while also connecting the neighborhood to the city's road network. Where possible, local materials and building traditions (e.g. the use of cobblestone streets) will be used. Planning and design has actively involved communities within the area and flexible standards have been applied with the fundamental objective of minimizing resettlement, land acquisition costs and social disruption. The subprojects will be implemented in one single phase (unlike Component 1) over the course of approximately 4 years and will be rolled out in two different zones to ensure works are undertaken in an integrated manner to minimize disruption for the communities.

13. The project area is densely populated (220 people per ha) with a total population of almost 19,000. The spatial development and design plans for upgrading of the site requires a broad set of interventions, ranging from improved roads and drainage systems to water, sanitation and housing, and calls for the involvement of a large number of other actors. While the RUDP focuses on roads, footpaths and drainage structures, the CoK is working closely with other partners to provide water, sanitation and low income housing solutions. Thus, the upgrading of the site shall serve as a model for community based urban regeneration that can be scaled up to other parts of Kigali and to secondary towns in Rwanda. This upgrading project will help define the most appropriate approach for upgrading in the Rwandan context and these lessons will be shared and disseminated among key stakeholders, especially district leaders to scale up the approach. To further assist the scaling up of urban upgrading initiatives, technical support will be provided to RHA under Component 3.

14. The sub projects identified for the upgrading of the area in Nyarugenge are listed in Table 2.3:

**Table 2.3. List of Subprojects to be Financed under Component 2**

Item	Length (metres)	Estimated Cost (US\$ m)	Surface Material
<b>Roads (inc lighting)</b>			
8.0 m wide RoW roads	1,172	1.23	Asphalt
6.0 m wide RoW roads	2,487	1.86	Asphalt/Cobbles
4.0 m wide RoW roads	2,003	0.82	Asphalt/Cobbles
3.0 m wide RoW roads	1,403	0.50	Pavers/Cobbles
2.0 m wide RoW	2,055	0.63	Pavers/Cobbles
1.5 m wide RoW	8,022	2.35	Pavers/Cobbles
<b>Sub-total</b>	<b>17,142</b>	<b>7.38</b>	
<b>Drains</b>			
1.5m to 3.0m	910	1.09	Concrete Base, Masonry Walls, RCC cover slabs
1.0m to 2.0m	450	0.36	As above
3.0m	150	0.17	As above
0.5m to 1.0m	1,025	0.62	As above
<b>Sub-total</b>	<b>2,535</b>	<b>2.23</b>	
Totals	19,677	9.62	
Contingencies		0.38	
<b>Grand Total</b>		<b>10.00</b>	

15. While in-situ upgrading is one strategy to address the infrastructure deficiencies and poor conditions that exist in unplanned and predominantly low income settlements, forward thinking and planning is also required to address the broader issues of land, informality and growth of further unplanned settlements. This aspect will also be addressed through the technical support provided to RHA under Component 3.

### **Component 3: Technical Assistance for Sustainable Urban Management (US\$3 million)**

16. This component provides technical assistance for key priorities identified for achieving sustainable urban development: (i) support for building competitive cities; (ii) developing information systems for coordinated planning and strategic decision making; (iii) road and drainage infrastructure management systems; and (iv) capacity building for scaling up urban upgrading. In addition to advisory services, the component will finance the provision of equipment, software and related goods as necessary.

#### *Sub-component 3.1: Building Competitive Cities (US\$400,000)*

17. This subcomponent complements the government's extensive program to promote LED by focusing on support to district governments to develop their skills in enabling local economic development through two core activities. First, the project will develop the capacity of district governments to design, deliver and monitor a practical LED strategy, driven by a clearly articulated unique strategic positioning, or "brand". Relevant district staff, especially those in the BDUs, will develop the capacity to compile existing data and when needed, collect primary data and analyse

it to formulate strategies and design interventions to support LED. Districts will thus learn to continually assess the local economic development environment prevailing in their respective secondary cities by interpreting and analysing data (e.g., jobs created, firms opened, types of clusters, etc.). This will allow them to better support and coordinate with the private sector and promote cluster development. Government staff in the Business Development and Employment Unit (BDEU) in the six secondary cities will be supported in the development and operationalization of a system for ongoing tracking and reporting on business activity. BDEU staff will also learn how to better link the local private sector to key national and local resources (e.g. Agakiro centers,<sup>18</sup> Hanga Umurimo,<sup>19</sup> cooperatives, Business Development Centres,<sup>20</sup> etc.). Districts will thereby be better equipped to more effectively implement policies and investments directed at economic development (e.g. attracting key businesses, promoting exports, disseminating market information, investing in relevant public infrastructure, leading on environmental stewardship, etc). Districts will also be able to more effectively collaborate with National Government entities, such as the RDB so as to attract investors that are aligned with the city's strategy. Finally, district staff will also learn to identify services that could be improved through public-private partnerships, such as solid waste management.

18. Second, the subcomponent will support each city in clearly articulating and promoting its unique value proposition and strategic positioning (that is, its brand identity) designed to distinguish it from other secondary cities and building on the District LED Potentialities Study undertaken by Ministry of Trade and Industry (MINICOM). Districts will be assisted in developing and implementing a marketing and communication plan aligned with their unique strategic positioning and LED strategy, to encourage private sector development in their respective secondary cities. Marketing materials will be developed and promotional efforts launched to attract investors (particularly entrepreneurs and MSMEs and SMEs, as well as selected large investors, in coordination with the RDB), tourists and new residents, and help cultivate widespread city pride. Development plans for the secondary cities, including infrastructure projects, will also be aligned with and reinforce the cities' unique strategic position.

19. This component builds on the recently completed national LED strategy and is designed to complement the GoR significant efforts in promoting LED through a variety of national institutions such as the RDB, Business Development Fund, MINICOM and LODA mostly focusing on directly assisting the private sector, especially SMEs, through advisory services, access to finance and skills development. Other actors, including the IFC are supporting Districts in improving business registration processes and DPs such as the Belgian Cooperation are providing support to national level LED initiatives. Hence, the RUDP's focus on district government capacity fills a notable gap.

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<sup>18</sup> These centers are youth employment and vocation skills centers set up under a government program in all 30 districts in Rwanda.

<sup>19</sup> Initiated by Ministry of Trade and Industry (MINICOM), HANGA UMURIMO Program (HUP) has been conceived with a purpose to nurture an entrepreneurial culture among Rwandans and foster the emergence and growth of a local based business class in pursuit of the Vision 2020 aspiration to transform Rwanda into a middle income country.

<sup>20</sup> The BDCs (run by the RDB) represent the main mechanism for helping new business development with advisory services and access to capital. The new local BDU staff will be able to better support local entrepreneurs in better utilizing these existing, often under-utilized centers.

*Sub-component 3.2: Support for Managing Urban Infrastructure (US\$2.25m)*

20. Technical Assistance and capacity building will be provided to the six Districts to improve their ability to manage urban infrastructure with a focus on three key areas. First, Districts will be provided with advisory services to assist them in implementing their RUDP infrastructure subprojects with a particular focus on procurement, contract management, financial management, engineering and safeguards aspects. Second, districts will be assisted in developing an infrastructure management system for roads and drainage using GIS based tools with a view to strengthen operations and maintenance. Third, given that infrastructure investment requires significant financial resources, districts will be assisted to more effectively manage their revenues and expenditures. The TA will be delivered through a combination of coaching, training and peer-to-peer learning provided through the Mobile Implementation and Capacity Support Teams (see Annex on Implementation Arrangements for details).

21. **RUDP Implementation Support.** The Mobile Implementation and Capacity Support Team will coach districts in (i) planning for and managing works contracts, including ensuring that quality works are delivered and conform to agreed standards and specifications; (ii) overseeing consultants such as those retained for design and supervision; (iii) ensuring procurement processes are competitive and transparent to secure best value for money outcomes; (iv) transparent financial management and reporting; and (v) complying with environmental and social safeguards policies.

22. **Support for roads and drainage infrastructure management.** A GIS-based urban road and drainage assets management system will be developed and rolled out to each of the six districts. It will allow districts to make effective use of their multi-dimensional georeferenced databases for urban roads and drainage structures, as well as enhance their capacity to operate and maintain these assets. Drawing on the operations and maintenance manual developed by LODA, this activity will specifically assist the six districts in (a) preparing a geo-referenced inventory of urban road and drainage assets to include their physical condition, construction cost, maintenance and repair history, and current valuation; (b) designing a GIS based query tool that allows district staff to maintain, view, query, and analyze information on the urban roads and drainage assets; (c) develop and maintain an operations and maintenance plan to guide districts in deciding when, where, and how maintenance and rehabilitation should be managed, with an estimated cost for that maintenance; and finally, (d) apply this information in ensuring adequate budget is allocated for operations and maintenance costs.

23. Following the introduction of this assets management tool, districts will be able to more accurately estimate the financial and human resource requirements for operations and maintenance of urban roads and drainage assets. These estimates will enable districts to negotiate with LODA and MINECOFIN so that adequate budget provisions are made for districts to sustain the infrastructure investments, and eventually overcome the negative cycle of deteriorating infrastructure. While the system is being developed and rolled out, initially to address only urban roads and drainage, subsequently, districts could then roll out this model to include all infrastructure investments under their jurisdiction. The GIS based assets management system will be developed through a specialized private sector service provider who would train both the GIS and IT specialist in the district, as well as other staff such as engineers in the One Stop Centers in the use and application of the system. This will be reinforced through the regular coaching that will be provided by the MICST to ensure the GIS platform is actively used as a management tool.

24. **Technical assistance for revenue and expenditure management.** The activity supports districts in addressing capacity constraints in making accurate revenue and expenditure forecasts, as identified in the Diagnostic Study undertaken during project preparation. Districts will be assisted in appropriately documenting and analyzing revenue data so that they are able to make more accurate revenue projections and to improve own source revenue collection. They will also be assisted in identifying new revenue sources to finance infrastructure services (including operations and maintenance). Districts will be assisted in strengthening their capacity for expenditure management for more efficient implementation of capital investments. The support will aim at improving expenditure forecasts, including for O&M aspects through improved analysis of financial data. Districts will benchmark costs of local services against resources needed for cost recovery. Combined, these activities are expected to result in a better alignment of revenues and expenditures.

*Sub-component 3.3: Strengthening Coordinated Planning and Strategic Decision-Making through GIS based tools (US\$150,000)*

25. This subcomponent supports the use of GIS for coordinated planning and strategic decision making in the 6 districts. First, it supports the roll out of MININFRA's geospatial platform to the 6 districts. The districts will be supported in developing the skills required to systematically input all infrastructure and service delivery related information into this platform and analyze the information for key decision making and planning. Specifically, districts will be able to use GIS as a tool for visualizing existing infrastructure, social services, and settlement patterns for better capital investment planning in their annual, 3-year and 5-year development plans. Moreover, districts will be supported to use this information to more effectively engage, consult with and communicate to the public, especially during the formulation of their development plans. Second, they will be able to monitor urbanization trends and outcomes against standard indicators that would enable cross-city comparisons through a Decision Support tool that will allow both individual districts and MININFRA to visualize developments through digital technology and track city progress. The subcomponent builds on Rwanda's well developed ICT sector and strong government commitment to use ICT as a development tool. Each of the districts have GIS specialists, equipment and software that will allow them to undertake the activities under this subcomponent.

26. Districts will have at their disposal a rich database of geospatial information. First, they will have access to MININFRA's web-based GIS platform that includes data on local roads, water points, drainage structures, power supply and electricity networks, and other municipal assets derived from various national agencies under its oversight, as well as GIS data collected by the feasibility study consultants for the RUDP, all consolidated under a single platform. Access to this data on a common cloud based GIS platform will allow a broader set of district staff to make use of GIS information. Currently, such data is exclusively the domain of GIS specialists who maintain the information on either their desktops or thumb drives.

27. A firm will be hired to support districts in the implementation of this subcomponent. Its main tasks are to: (i) review and assess existing hardware, software, data availability, connectivity and gaps in capacity to design an appropriate technical assistance program; (ii) train municipal engineers and GIS specialist in the One Stop Centers to access, share, update and analyze GIS data and understand data standards, mapping, and geotagging protocols; and (iii) design and develop a

digital visualization tool, also referred to as a Decision Support system that will allow MININFRA and each of the districts to track and compare city progress against standard indicators in order to improve evidence based policy making. A part time GIS Specialist will join the MICST to provide coaching as districts under take the aforementioned activities.

*Sub-component 3.4: Support for scaling up urban upgrading (US\$200,000)*

28. Technical Assistance in the form of advisory services will be provided to RHA for scaling up the pilot upgrading initiative in Kigali and to other unplanned settlements in secondary cities. The work will be guided by the National Upgrading Policy and Strategy that is currently under preparation. Valuable lessons from the upgrading experience in Nyarugenge District will also be drawn. The TA is also to include related tasks such as rolling out sites and services programs in urban areas, development of new affordable housing solutions and related settlement issues will be included (such as strategies for addressing informality, curbing sprawl, and land management). The assistance to RHA will be provided through international and local consultants.

**Component 4: Support for Project Management (US\$2 million)**

29. This component will support overall project coordination by MININFRA and project management of secondary cities by LODA. The activities supported include SPIU staffing costs, training related to project implementation, safeguards monitoring, beneficiary surveys, design review and supervision. The detailed roles and responsibilities on project management are provided in Annex 3.

## **Annex 3: Implementation Arrangements**

### **RWANDA: Urban Development Project**

#### **Project Coordination, Institutional and Implementation Arrangements**

1. Overall coordination will be the responsibility of MININFRA given its institutional mandate for policy and coordination on urbanization, and will ensure that project activities conform to national policies on urbanization. As the signatory of the Financing Agreement with the Bank, it will also serve as the direct interlocutor with the Bank and submit the semi-annual progress reports. A dedicated project coordinator is to be appointed at MININFRA and head a small Project Coordination Unit (PCU). Current MININFRA staff working in the Urban Division will support the Coordinator, as may be required, from time to time. The Coordinator will be appointed by no later than Project Effectiveness. The tasks of the PCU would include:

- (a) Overall project oversight/monitoring/evaluation and reporting to the Bank (e.g. consolidating Semi Annual Progress reports from LODA and the CoK; preparing MTR & project completion reports);
- (b) Submission to the Bank of Annual internal & external audit reports of the whole project;
- (c) Ensuring that the project is being implemented in accordance with the Financing Agreement;
- (d) Coordinating key stakeholders relevant for the Project (e.g. MINECOFIN, MINILOC, LODA, RTDA, RHA, RDB, MINICOM, etc...);
- (e) Reviewing and approving annual and semiannual project budgets for each of the District PIUs and approving their annual work plans; and
- (f) Managing a designated account for TA activities for which MININFRA is directly responsible.

2. MININFRA will hire the service provider for undertaking activities under subcomponent 3.3 related to rolling out the geospatial database at the district level. The service provider is expected to work closely with the project's team at the District level. Finally, MININFRA will also hire the consultants under component 3.4 of the project (urban upgrading) on behalf of RHA (while RHA will be responsible for the preparation of the TORs and day to day supervision of the consultant).

3. LODA through its Single Project Implementation Unit (SPIU) will be responsible for overall project management under Components 1 and 2, and for undertaking the capacity building activities under subcomponents 3.1 (Building Competitive Cities) and 3.2 (Urban Infrastructure Management). It will play a supervisory role, offering guidance to districts as they implement the physical works, focusing on technical, procurement, social and environmental safeguards, and financial management aspects. The SPIU in LODA is to manage another World Bank project - the Regional Great Lakes Trade Facilitation Project (RGLTFP) – allowing some key positions to be

shared 50-50 (financial management, procurement and environmental and social safeguards). A dedicated project coordinator to be wholly financed under the project will be recruited prior to effectiveness. Existing SPIU staff (LED specialist, MIS and M&E specialist) will support project implementation.

4. **Mobile Implementation and Capacity Support Team.** To ensure a more continual on-the-ground presence and support to districts, LODA will hire and supervise a Mobile Implementation and Capacity Support Team (MICST) to be engaged through a firm. The MICST will handhold Districts and the CoK as they implement their subprojects under Components 1 and 2, respectively. The MICST will include a Municipal Engineer, Financial Management Specialist, Procurement Specialist, Social Safeguards Specialist, Environmental Safeguards Specialist, Public Financial Management (PFM) Specialist, and GIS Specialist. The PFM and GIS specialists will respectively provide support to the implementation of subcomponent 3.2 on revenue and expenditure management as well as subcomponent 3.3 on application of GIS tools for urban management.

5. The responsibilities of the MICST would include, but not be limited to, assisting the SPIU and the 6 Districts in the following tasks:

- (a) periodic oversight of Design Consultants engaged for Phase 2 and Construction Supervision Consultants engaged for Phase 1 and 2;
- (b) assisting with, and monitoring of, procurement activities for civil works packages in each of the Districts and CoK;
- (c) periodic oversight and general assistance to the SPIU, Districts and CoK in implementation of the sub-project contract packages for the physical investments;
- (d) assisting with the management of the Project Accounts for all physical works in the secondary cities and CoK and consultancy contracts;
- (e) assisting District, CoK and SPIU staff in preparation of, and processing, Statement Of Expenditures (SOEs) required for disbursement;
- (f) assisting the Districts and CoK in release of funds and oversee financial management at District level;
- (g) advising SPIU, Districts and CoK on World Bank Guidelines for selection of consultants and procurement of contractors for civil works, provide oversight, coordinate and support the districts in engineering, financial management, procurement, social and environmental safeguards and local economic development activities;
- (h) assisting SPIU in the consolidation of semiannual progress reports of the 6 secondary cities and CoK and submit to MININFRA;
- (i) assisting Districts and CoK in preparing quarterly financial reports required by the World Bank;

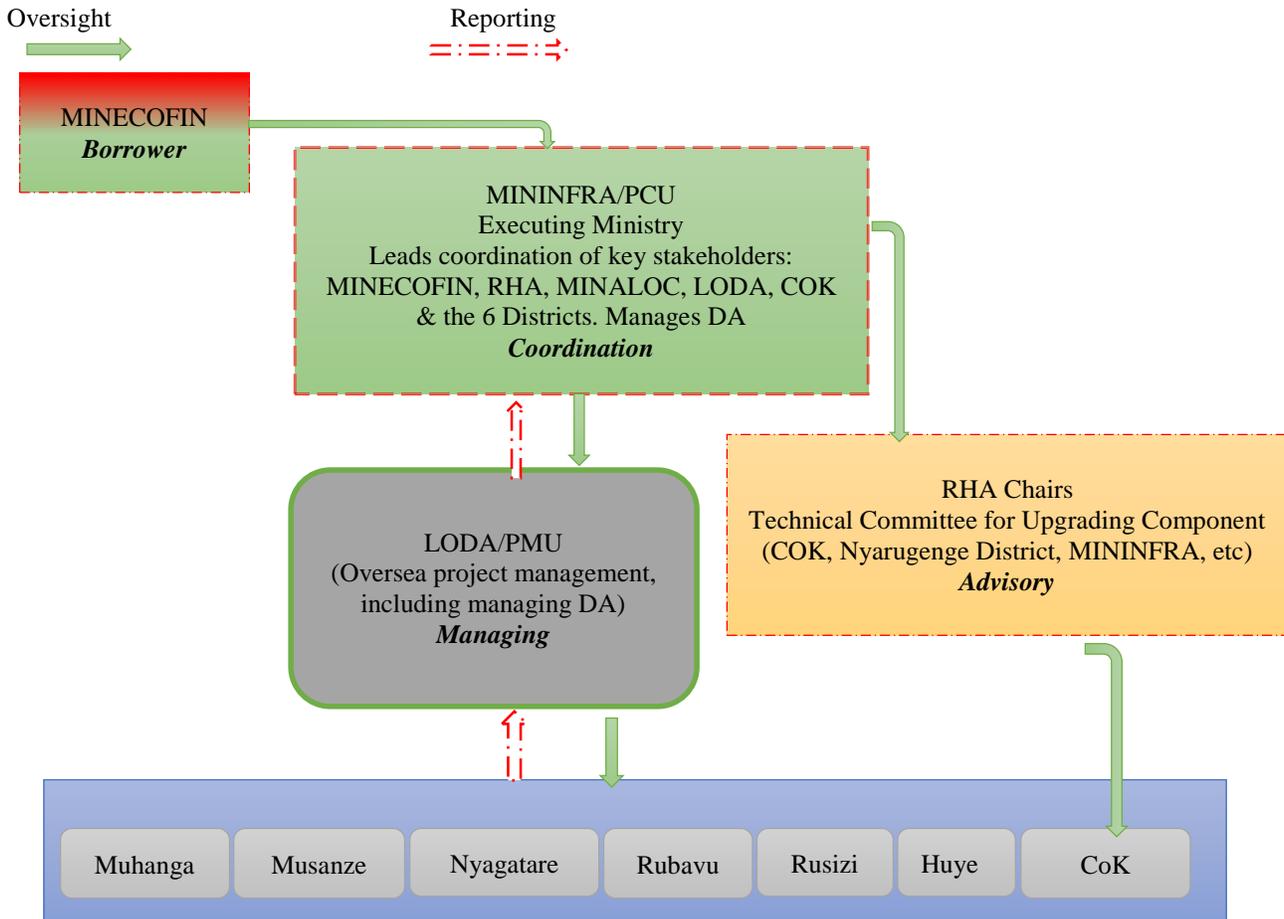
- (j) advising and assisting, as may be necessary, on the procurement processes carried out by the respective Districts and the CoK for all civil works packages;
- (k) reviewing and updating as necessary social and environmental safeguards outputs from safeguards consultants for the 6 Districts and CoK; and
- (l) on-the-job training of SPIU staff and staff in the 6 Districts and CoK engaged on Project activities to build capacity in the fields of engineering design, contract management, construction supervision, financial management, accounting, auditing, revenue generation, social safeguards, environmental safeguards, private sector participation, management and other aspects of implementation as may be identified.

6. LODA will also hire and supervise a separate service provider to design and train districts in the use of the GIS based asset management system for operations and maintenance of roads and drainage systems (under subcomponent 3.2). It will also procure other consultancy services as needed (e.g., Construction Supervision, Detailed Designs for Phase 2, etc.) to assist districts in the implementation of the works. Finally, LODA is also responsible for managing the Designated Account and transferring funds to the project accounts of the six secondary cities and CoK and overseeing their financial management. It is also responsible for monitoring and evaluation, consolidating semiannual progress reports of the 6 secondary cities and the CoK for submission to MININFRA. Existing SPIU staff will be supplemented with dedicated staff to be hired under the project (e.g. coordinator, procurement, financial management and safeguards specialists).

7. Each of the six districts and CoK will be fully responsible for the implementation of physical works under Components 1 and 2, respectively (e.g. procuring works, managing and reporting on project expenditures, managing project accounts, ensuring works are compliant with agreed safeguards policies, etc.). An RUDP Team headed by the Executive Secretary of each District has been established and comprises of technical staff (engineer, procurement, financial management, environment and social safeguards specialists) all drawn from key District departments with responsibility for day to day implementation. The Executive Secretary will play an overall coordinating and facilitating role. The District team will be supervised by the LODA SPIU and receive advisory assistance from MICST. MICST will also provide TA to the Districts for activities under Component 3.2 with regards to strengthening expenditure and revenue management capacity and operations and maintenance. The dual role of the MICST in supporting districts in implementing works projects and in GIS and revenue/expenditure management will allow districts to learn-by-doing. Likewise, the CoK has established a project implementation team to be anchored within the Kigali Urban Upgrading Team (KUUT) for the implementation of Component 2.

8. Finally, as part of its institutional mandate and in line with the support provided under Component 3, RHA will chair a Technical Committee for the support on urban upgrading. The committee will include technical staff from MININFRA, LODA and the districts. The main role of the committee will be to provide guidance and technical support on upgrading strategies and guidelines, as well as operational support for upgrading projects under implementation. The committee will meet on a regular basis as determined in the PIM. RHA is responsible for the technical oversight of the upgrading component under the CoK, per the existing regulatory framework and to allow it to draw lessons for scaling up upgrading to other cities.

**Figure 3. 1. Diagram of Implementation Arrangements**



### Financial Management and Disbursements

9. A Financial Management Assessment was undertaken of MININFRA, LODA, COK, and the six secondary cities (Huye, Rubavu, Rusizi, Muhanga, Musanze and Nyagatare) during preparation since they are the agencies designated by the Government to implement the Project. The objective of the Financial Management Assessment was to determine whether the financial management arrangements (a) are capable of correctly and completely recording all transactions and balances relating to the project; (b) facilitate the preparation of regular, accurate, reliable and timely financial statements; (c) safeguard the project’s assets; and (d) are subject to auditing arrangements acceptable to the Bank. The assessment complied with the Financial Management Manual for World Bank-Financed Investment Operations that became effective on March 1, 2010 and the Financial Management Assessment and risk rating principles.

10. The arrangements for oversight and accountability are considered acceptable and include the internal oversight bodies (e.g., MININFRA PCU and the LODA SPIU, District Councils) and the external oversight bodies (the Office of the Auditor General (OAG) and Parliament who reviews the OAG’s audit reports and approves the GoR budget, including that of the project). Quarterly financial reports will be prepared according to the format agreed with the World Bank. Current staffing arrangements are sufficient although with additional responsibility under the

project, LODA and CoK will have to each recruit an additional accountant for the project's accounting and financial transactions. LODA, CoK and the six secondary cities are all using IFMIS to record financial transactions and are all subject to external audits by the Auditor General of state finances. LODA and CoK both have experience in managing donor funds. LODA is currently responsible for transferring funds to districts and supports districts in planning for the development budgets of all 30 districts and CoK. In order to strengthen the internal control system, an implementation manual that covers financial management procedures for the RUDP has been prepared as a complement to the GoR accounting policies. The mobile capacity support team to be hired under the project will coach and guide districts in undertaking their FM responsibilities. In addition, the World Bank will also provide guidance to the project FM teams through periodic training and risk based implementation support missions. These missions will review the project's FM performance and provide required support for its improvement. The detailed FM risk and mitigating measures are presented in Table 3.1 below.

### *Country Issues*

11. As a post-conflict country, Rwanda has made remarkable progress in rebuilding the core institutions in the public sector since the genocide in 1994. Its leadership has demonstrated strong commitment and resilience to overcome a difficult environment and has made significant progress in achieving peaceful political settlement and national security with dividends to citizens in terms of access to services and poverty. The government has established its legitimacy and authority and maintained the rule of law. Rwanda has effective governance systems, including robust anticorruption laws (e.g., the Penal Code, Law No. 76/2013 and the Whistle Blower Protection Act 2013), effective oversight institutions (e.g., the Ombudsman, National Prosecution Authority and Independent Auditor General) and strong political commitment to control fraud and corruption.

12. Public Financial Management (PFM) is a key pillar of governance, as it cuts across different sectors as well as different levels of government.<sup>21</sup> As stated in the Rwanda PFM Sector Strategy, the main objective of PFM is to ensure efficient, effective, and accountable use of public resources as a basis for economic development and poverty eradication through improved service delivery. The government embarked on comprehensive PFM reforms more than five years ago with the launch of its Public Financial Management Reform Strategy (PFMRS) in 2008-12. Building on progress of PFMRS, the PFM Sector Strategic Plan (SSP) 2013-18 was formulated in 2013 to advance reforms in the sector. PFM systems and processes of the Government have both strengths and challenges as shown in recent PFM diagnostic reports.<sup>22</sup> The strengths of the PFM system include: (i) the simplified public financial guidelines for chief budget managers which provide clear descriptions for the various PFM processes<sup>23</sup>; (ii) the orderly, participatory and transparent planning and budget preparation process, and (iii) a strong financial management legal framework. On the other hand, a number of challenges still remain with regards to (i) dearth of

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<sup>21</sup> For example, the EDPRS II states that “Rwanda's public finance management system is the platform for the efficient management of the nation's resources. Its reporting, audit, and oversight functions are essential elements in providing effective Accountable Governance” (paragraph 6.27).

<sup>22</sup> Such as the Public Expenditure and Financial Accountability (PEFA) 2007 and 2010 assessments; sector public expenditure review reports; public expenditure tracking survey reports; and independent mid-term and end-term evaluations of the Public Financial Management Reform Strategy (2008-2012).

<sup>23</sup> <http://www.minecofin.gov.rw/fileadmin/documents/MINICOFIN-PFM-Guidelines-July-2011.pdf>

suitably qualified officials to handle PFM functions coupled with high turnover of few trained staff; (ii) a relatively underdeveloped internal audit function; (iii) internal control weaknesses, and (iv) weaknesses in expenditure management.

### *Risk Assessment and Mitigation*

13. Table 3.1 below shows the results of the risk assessment and the risk rating summary that identifies the key risks project management may face in achieving project objectives. It also provides a basis for determining how these risks should be addressed.

**Table 3.1. Financial Management Risk Assessment and Mitigation**

<b>Risk</b>	<b>Risk Rating Before mitigation</b>	<b>Risk Mitigating Measures Incorporated into Project Design</b>	<b>Residual Risk Rating</b>	<b>Condition of Negotiations, Board or Effectiveness (Y/N?)</b>
<b>Inherent Risk</b>				
<b>Country Level;</b> Findings of the repeat PEFA Assessment in 2010 identified certain areas that still need strengthening. These included weaknesses in accounting processes, annual reporting, certain aspects of budgeting and capacity gaps.	M	Key issues raised in the November 2012 independent evaluation report on the implementation of the PFM Reform Strategy (2008/09-2012/13) have been integrated in the 2013 – 2018 PFM SSP and the World Bank Public Sector Governance PforR Project is addressing some of these areas.	M	N
<b>Entity Level</b> Project will be implemented by 9 implementing entities. None of which have experience working directly with the World Bank. The six Secondary cities also have substantial capacity constraints.	S	Financial management training to all 6 implementing entities, covering the 6 elements that the World Bank monitors will be provided at the start of the project and subsequently on a continuous basis. The project will have a mobile team that will provide hand holding support to the districts.	S	N
<b>Project Level</b> The scope and nature of the project is complex with a primary focus on infrastructure investments. Works are prone to implementation delays especially payments, and procurement. Poor contract management is prevalent in most implementing entities in Rwanda, including the selected implementing entities for the project. Implementation delays have been observed at the secondary city level on existing infrastructure investments and contract management is very poor.  Coordination between the 9 implementing entities may risk to become a challenge.	S	Capacity building for contract management and monitoring will be provided.  A dedicated Mobile Implementation Capacity Support team will coach and provide on the job training to the 6 districts.  MININFRA will be responsible for the consolidation of project related reports and overall project coordination.  All implementing entities to nominate a focal person responsible for reporting and liaising with LODA.	S	N

Risk	Risk Rating Before mitigation	Risk Mitigating Measures Incorporated into Project Design	Residual Risk Rating	Condition of Negotiations, Board or Effectiveness (Y/N?)
<b>Control Risk</b>				
<p><b>Budgeting</b> All implementing entities will follow the same budgeting process. LODA and MININFRA will take the lead on consolidating and determining available funds. There may be a risk that some of the implementing entities may not have adequate capacity to deal with the complexities of the project.</p> <p>Budget Monitoring for all implementing entities is weak including the cities.</p>	S	<p>MININFRA and LODA will take lead in the budget process and will monitor and approve the budgets.</p> <p>The project budget will be uploaded in IFMIS at MININFRA level and LODA.</p> <p>Districts and COK will upload their individual budgets with LODA's supervision.</p> <p>Quarterly budget execution reports will be prepared and shared with the World Bank, and these will include clear explanations of budget variances and corrective action taken or to be taken.</p> <p>The Bank to review and provide no objection to the annual budget.</p>	M	N
<p><b>Accounting</b> Inadequate capacities especially at the secondary city level may affect the integrity of the financial statements prepared.</p> <p>IFMIS is not yet reliable in producing project specific reports due to the chart of accounts that does not take into account project specific activities. Hence reporting per activity or component may be a challenge to the project.</p> <p>The adverse audit opinion alludes to unreliable financial statements, hence a risk that the accounting information presented may not be reliable or accurate.</p> <p>Slight delays noted on monthly reports submitted by LODA to MINECOFIN and some of the secondary cities.</p>	S	<p>Training will be provided to the project accountants complementing the training provided by MINECOFIN. Project accountants will be required to have at least an equivalent of Certified Accounting Technician qualification.</p> <p>An improved version of IFMIS is being developed.</p> <p>A project implementation manual has been prepared for the project and includes the financial management and accounting procedures</p> <p>Follow up on implementation of audit recommendations will form part of the quarterly reporting.</p> <p>MININFRA Project Coordination Unit to monitor and follow up on the timely submission of financial reports</p>	S	N

Risk	Risk Rating Before mitigation	Risk Mitigating Measures Incorporated into Project Design	Residual Risk Rating	Condition of Negotiations, Board or Effectiveness (Y/N?)
<p><b>Internal Control</b> All 9 entities have an internal control system developed on the basis of the Manual of Government Policies and Procedures. Financial management during actual implementation differs from the systems on paper since accounting staff do not have this manual readily available for reference.</p> <p>Ineligible expenditures.</p> <p>All entities have adverse audit opinion with significant internal control issues raised.</p> <p><b>Internal Audit</b> Internal audit is still undeveloped in Rwanda, there are few qualified internal auditors and those that will be supporting the project are not qualified/certified auditors.</p>	<p>H</p> <p>S</p>	<p>A project implementation manual has been prepared. It outlines the basic internal control system requirements, and provides detailed description of the internal control systems.</p> <p>On a quarterly basis a summary of internal audit activities and findings will be integrated in the IFR to be submitted to the Bank.</p> <p>Recruit a senior qualified accountant for LODA and an accountant for CoK,</p> <p>Regular implementation support missions from the Bank will provide guidance to the project throughout implementation. Training will be provided for all internal audit staff on the project.</p>	<p>S</p> <p>M</p>	<p>N</p>
<p><b>Funds Flow</b> MININFRA and LODA will each be responsible for managing their respective Designated Accounts. LODA will then transfer funds to the Project Accounts of the Districts and the CoK on the basis of their quarterly cash flow forecasts. There is a risk of delay in funds transfer to the Districts and CoK.</p>	<p>S</p>	<p>Districts &amp; CoK are to submit their IFRs 30 days before the due date, including a six month quarterly cash flow forecast.</p> <p>An ageing analysis to be prepared and submitted together with the IFR, so as to monitor the cycle of retiring advances/transfers.</p> <p>Districts will be supported by the MICST and LODA SPIU to prepare realistic cash flow forecasts in accordance with the Procurement Plan and work plans.</p>	<p>M</p>	<p>N</p>
<p><b>Financial Reporting</b> None of the implementing entities have experience in preparing IFRs which may cause delays in reporting.</p> <p>The quality of the IFRs may be jeopardize by the inadequate systems and capacity at the cities level</p>	<p>S</p>	<p>Project team will be trained on how to prepare an IFR and cash flow forecasts by the WB FMS.</p> <p>IFR templates agreed upon with IDA</p> <p>Hand holding support is required in the first year of implementation.</p>	<p>M</p>	<p>N</p>
<p><b>Auditing</b> The GoR SAI has the overall responsibility for external audit, however</p>	<p>H</p>	<p>The Auditor General's office will audit the project.</p>	<p>S</p>	

<b>Risk</b>	<b>Risk Rating Before mitigation</b>	<b>Risk Mitigating Measures Incorporated into Project Design</b>	<b>Residual Risk Rating</b>	<b>Condition of Negotiations, Board or Effectiveness (Y/N?)</b>
<p>capacity issues may affect the timely submission of audits. CoK and MININFRA audits are not up to date</p> <p>Delay in follow up of audit recommendations in the case of LODA and the cities may negatively impact the project</p> <p>All implementing entities have qualified audit reports and 7 of which have adverse audit opinions</p>		<p>Terms of references have been prepared and agreed</p> <p>LODA to be included in the OAG’s audit scope and coverage</p> <p>Implementation of audit recommendations will form part of the implementation support follow up</p>		
<b>Overall Risk Rating</b>	<b>H</b>		<b>S</b>	

H – High; S – Substantial; M – Modest; L – Low

14. The overall financial management risk rating for this project is assessed as Substantial after mitigation measures. Some risks have been maintained at the same rating even after the proposed mitigation measures since these have not been implemented and will take time to implement. Follow up on the suggested mitigation measures will be undertaken during implementation support missions and the risk rating may change as risk mitigation measures are put in place.

**Financial management institutional and implementation arrangements**

*Budgeting arrangements*

15. The project will follow the Government of Rwanda planning and budgeting procedures. The Ministry of Finance and Economic Planning takes the leading role in the planning and budget preparation process. 5-year Strategic plans, 3-year development plans and annual work plans are formulated at the entity level under the auspices of technical working groups. MINECOFIN issues budget call circulars every October – November to spending agencies to determine priorities for the next financial year. MINECOFIN subsequently issues a second budget call circular which provides ceilings to spending agencies and the budget preparation is initiated. Although Development Partner financed projects are part of the planning process, the government ceilings are not applicable to them. This means that budget ceilings will not be applicable to the RUDP activities. MTEF is then prepared after the ceilings are set and circulated. Budget approval is done by the Ministry of Finance and Parliament. Budgets are then uploaded in IFMIS and spending agencies are ready to spend. Commitments are made in IFMIS before spending begins.

16. All implementing entities will follow the same process for planning and budgeting, however, the project budget will be consolidated by LODA and MININFRA. The implementing entities will disclose their specific allocated budgets within their respective budgets for information purposes. MININFRA will approve the overall budget together with the World Bank. The Bank will review and provide no objection to the proposed annual planning and budget. The annual budget for the project will be broken down into four quarters to allow for easier quarterly monitoring as part of the IFR reporting. The project will include variance analysis in the quarterly

interim financial reports, including reasons for any variance that may have occurred during a given quarter. The consolidated IFR will include an executive summary where all budget variances and related implementation issues will be described. Budget reallocations will be approved by MININFRA and communicated in writing together with a revised budget to the World Bank.

17. LODA currently manages the local transfers and determines the amounts allocated to the districts. LODA manages the local government funds from the Government and Development Partners. They receive 10 percent of the previous year's domestic revenue for the implementation of the development budget at the local government level. District priorities are discussed with LODA and LODA confirms the allocations per district. The same process will be applied to the 6 secondary cities and CoK in relation to the project.

18. All 9 entities prepare 5-year development plans and 3-year MTEFs. For this project, the entities will prepare action plans and budgets for the project and budget consolidation will be done by LODA for the 6 cities and COK to be submitted to MININFRA for overall project budget consolidation. Similarly, on a monthly and quarterly basis, all entities will prepare individual budget execution reports to be consolidated by MININFRA. LODA will consolidate all the secondary action plans and budgets, and submit to MININFRA for the overall consolidation, a single consolidated report will be shared on a quarterly basis with the Bank as part of the IFR. Ordinarily, all 9 entities prepare monthly and quarterly execution reports that are shared with MINECOFIN.

19. All 9 entities face challenges in budget monitoring and using the budget as a monitoring tool. For example, the FY2012/13 budget for MININFRA was overspent by 182.89 percent; likewise, budget execution reports for the secondary cities also show over expenditures of up to 88 percent. To ensure appropriate budgetary control and since all 9 entities are already using IFMIS, the project budget will be uploaded in IFMIS and if possible at the different implementing entity levels.

#### *Accounting Arrangements*

20. **Basis of Accounting.** All 9 entities prepare accounts on modified cash basis and in accordance with International Public Sector Accounting Standards (IPSAS) issued by IFAC and where appropriate disclosures are made to ensure compliance with the requirements of Article 70 of the Organic Law on State Finances and Property (OLSFP): Law No. 12/2013 of 12 September, 2013 and Ministerial Order N°001/16/10/TC, January 2016 relating to Financial Regulations.

#### *Staffing Arrangements*

21. **COK.** The directorate of Finance has 6 staff including a Director of Finance, all staff are graduates although none is qualified. Some have started on the professional qualification process under MINECOFIN's sponsorship. They have experience implementing Development Partner financed projects such as those supported by the Belgian Technical Cooperation, UN One, UN Women and GIZ). They oversee a total budget of RWF 22 billion. To address the workload generated by the project, one qualified senior accountant will be recruited by the CoK.

22. **MININFRA.** The Finance Directorate is under the Director of Corporate Services and is headed by the Director of Finance. There are four finance staff in the Finance department, and the

organigram prescribes two accountants, however, at the time of the assessment only one of these positions was filled. The process of recruitment is ongoing. The existing Accountant is preparing to become a certified accountant.

23. **LODA.** The finance department is under the corporate services division headed by the Director of Finance. The department has four staff in the finance department including the Director of Finance. The selection process for the position of Finance Director is ongoing. The process of recruitment was in the final stages. The staffing needs to be strengthened at LODA given the increasing workload that will arise with the RUDP. All staff have the basic qualification but none are certified. To address the workload generated by the project and capacity gaps, one certified accountant will be recruited by LODA.

24. **Secondary Cities.** All four finance positions are filled in each of the secondary cities, comprising of a Director of Finance, budget officer, accountant and revenue accountant.

25. **Accounting Manual.** None of the 9 implementing entities has an entity specific accounting manual although they use the Government's accounting and financial management manual. Accounting processes and procedures are conducted as per the government accounting manual.

26. **Transaction currency.** The base currency is US\$, and assets denominated in currencies other than the US\$ shall be translated into US\$ at the rate of exchange prevailing at the end of the year/month under review. Transactions denominated in foreign currency shall be translated into US\$ at the rate of exchange ruling on the day. Exchange rate differences arising from the translations shall be dealt with in the statement of income and expenditure for the period. Exchange losses are eligible expenditures as long as the amounts are reasonable.

27. **Books of accounts and chart of accounts.** All implementing entities will maintain books of accounts for the project. Such books of accounts to be maintained should include: a cash book, ledgers, journal vouchers, fixed asset register and a contracts register, accounts payable and receivable.

28. **Information systems.** All 9 implementing entities are currently using IFMIS and this is the system that will be used throughout the project implementation for transaction recording and reporting. IFMIS has had challenges in producing expenditure reports by category or component; therefore, for purposes of the project, MININFRA and LODA will work closely with the developers to ensure that such challenges are quickly resolved.

*Internal control and internal audit arrangements;*

29. The Government of Rwanda has created an enabling environment to manage all state resources. A manual of Government Policies and Procedures for Financial Management and Accounting is being implemented by all Government budget and reporting agencies and an updated version is under preparation. The purpose of the OLSFP and the associated financial regulations is to provide the enabling legal framework for the management and accounting for State finance and property. All financial resources accruing to the State are either on the Consolidated Fund account or Other Specific Fund or specific designated account, in cases of specific instruction or agreement usually on donor funds (Articles 7 & 8 of the OLSFP). There are separate consolidated funds for the central and local government entities. Fundamentally, the

accountability for the expenditures defrayed from the Consolidated Fund must not be mixed with those of the Extra-budget Fund. Similarly, the expenditures from the Consolidated Fund of a local government entity must not be mixed with those from the central government Consolidated Fund. To take into account the project specifics, a project implementation manual including the financial and procurement procedures has been prepared. The PIM articulates the minimum requirements of an internal control system for each entity. It includes the processes and procedures, the control environment, lines of communication and reporting contributing to the risk management.

30. In this regard, all state budget and reporting entities are required to use this manual and OLSFP in the implementation of their separate mandates. All 9 implementing entities are budget agencies and therefore apply the government manual. They use the government manual for their internal control system and do not have a specific manual. The internal controls for all implementing entities are not clearly documented and the FY 2013/2014 audit reports have raised significant issues especially at the secondary city level where they range from improper books of accounts kept, failure to consolidate district accounts with those of non-budget agencies, insufficient supporting documents, long outstanding advances, un-reconciling differences of which some are material, cases of fraud and misappropriation are noted at the city level, wasteful expenditure, lack of fixed assets registers and in some cases bank reconciliations are not properly done. The 2012/2013 LODA audit report identifies a number of issues especially on the management of the social protection program.

31. **Internal audit** is still in its infancy in Rwanda. LODA has one internal auditor, and under the MINALOC arrangement local government internal auditors work as a team and complement each other under the systematic audit team. They report to the Board of Directors (City Council). MININFRA's internal audit position is vacant. CoK has two internal auditors who report to the city council audit committee. The Secondary City structure foresees 3 internal auditors, but in most cases 1 internal auditor is on board with exception of Rubavu where there are 2 internal auditors. None of the internal auditors are certified or qualified. All entities have an audit committee with that of MININFRA recently formulated hence at the time of the assessment they were yet to have their first meeting. Each implementing city has to ensure that at least 2 internal auditors are in place which will allow for internal audit to also focus on the project transactions and activities.

32. **Governance and Anti-Corruption issues.** The project management will ensure that all implementing entities have a fraud and corruption policy in place and that the project is carried out in accordance with the provisions of the World Bank Anti-corruption guidelines. A couple of fraud issues were noted in the LODA audit report for 2012/2013 and at the Secondary City level 2013/2014.

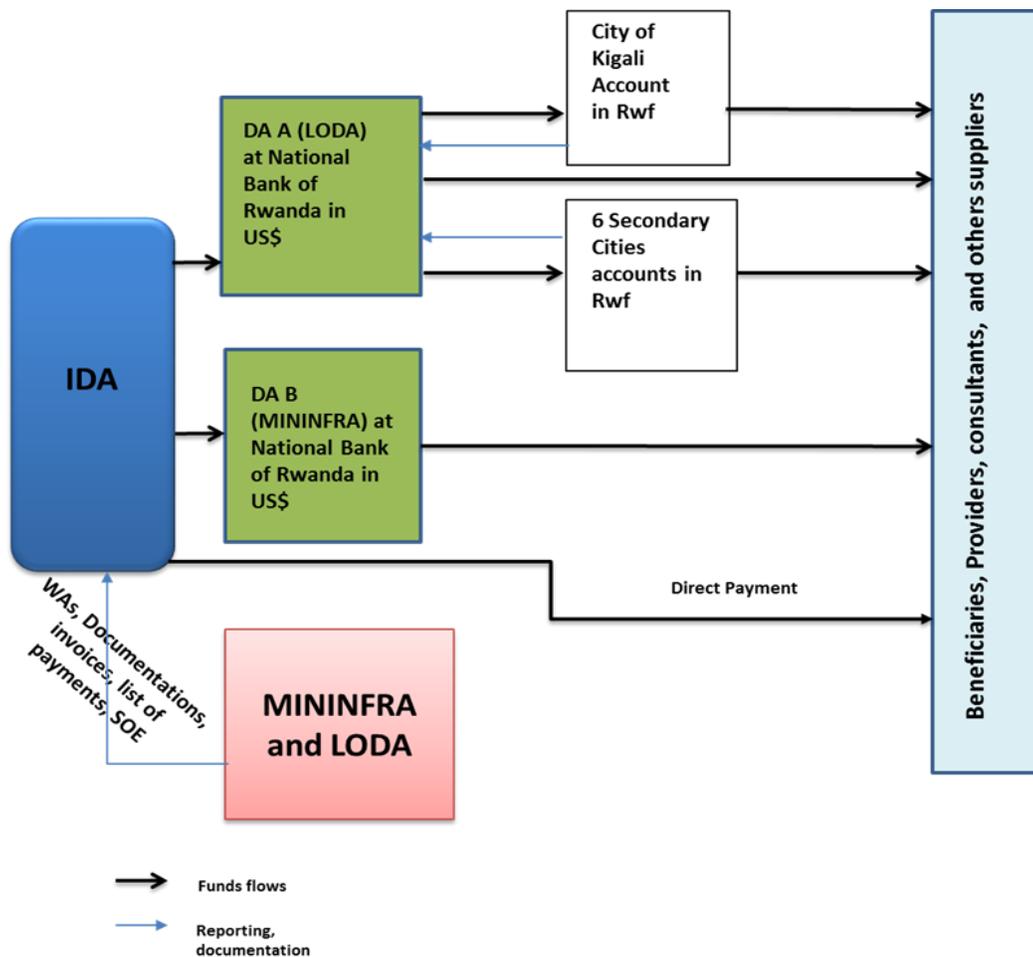
#### *Banking and Fund Flow arrangements*

33. Two separate designated accounts will be opened at the National Bank of Rwanda (one to be managed by LODA and another by MININFRA). The designated accounts will be denominated in US\$. Each implementing entity (6 secondary cities and COK) will open project accounts to receive transfers from LODA, denominated in local currency. Account signatories for the Bank Accounts will be documented in the Project Implementation Manual in order to ensure only authorized persons are allowed to sign payment orders and for withdrawals from the Bank.

34. The local account in RWF will finance all eligible project expenditures as per the financing/grant agreement. The authorized ceiling of the Designated Account (DA) will be US\$ 6 million for the DA-A and USD 200,000 for DA-B. COK and the 6 Secondary cities will receive transfers from LODA in form of an advance to be accounted for on a monthly basis using the Statement of Expenditure (SOE). Verification missions to review the expenditures will be undertaken by LODA and the World Bank.

35. Disbursement of IDA funds to the Designated Accounts will be SOE based. SOEs will be prepared on a monthly basis by each entity. The project may also use one or a combination of the following disbursement methods: Advance to the Designated Account, Direct Payment, Reimbursement and Special Commitment.

**Figure 3.2. Funds Flow Chart for RUDP**



**Disbursements arrangements**

36. **Retroactive financing** will be available for all eligible payments made on or after February 15, 2016 but prior to the loan signing date, up to an aggregate amount not exceeding SDR 80,000.

37. **Reporting on use of IDA Credit Proceeds.** Disbursements for all expenditures should be made against full documentation except for contracts valued at less than: i) US\$ 200,000 for works; (ii) US\$150,000 for goods; (iii) US\$100,000 for consulting firms and (iv) US\$ 50,000 for individual consultants, non-consultancy services, training and operating costs on all contracts regardless of the amount which will be claimed on the basis of SOEs. All supporting documentation will be retained at each implementing entity. They will be kept in a manner readily accessible for review by IDA missions and internal and external auditors.

38. The supporting documentation for reporting eligible expenditures paid from the Designated Account will be summary reports and records evidencing eligible expenditures for payments against contracts valued above the SOE thresholds defined above. The supporting documentation for direct payment requests should be records evidencing eligible expenditures (i.e., copies of receipts, suppliers' invoices, etc.). In addition to the above supporting documents, the project will submit a bank statement and a reconciliation of the Designated Account together with the Withdrawal Application on a quarterly basis.

39. **Minimum Value of Application.** The Minimum Value of Applications for Direct Payment and Special Commitments will be US\$200,000. Disbursements will be made in accordance with procedures and policies outlined in the Bank's Disbursement Handbook.

40. **e-Disbursement.** The World Bank has introduced the e-Disbursement for all its supported projects. Under e-Disbursement, all transactions will be conducted and associated supporting documents scanned and transmitted on line through the Bank's Client Connection system. e-Disbursement will considerably speed up disbursements and facilitate project implementation. It is a mandatory application for all World Bank financed projects starting January, 2013. The e-Disbursement functionality would (i) expedite World Bank processing of disbursement requests; (ii) prevent common mistakes in filling out Withdrawal Applications (WAs) (Form 2380); and (iii) reduce the time and cost of sending paper WAs and supporting documentation to the Bank. The e-Disbursement would not require any changes to the Project current internal procedures and controls for preparing and submitting WAs. All World Bank projects in Rwanda are using e-disbursement and therefore this project too will be on the same system for disbursement.

41. Upon credit effectiveness, MININFRA and LODA will be required to submit withdrawal applications for initial deposits to the Designated Account, drawn from the credit. Replenishment of funds from IDA to the Designated Account will take place upon evidence of satisfactory utilization of the advance, reflected in the SOE. Replenishment applications would be required to be submitted on a monthly basis. If ineligible expenditures are found to have been made from the Designated Accounts, MININFRA or LODA will be obligated to refund the same. If the Designated Accounts remain inactive for more than three months, MININFRA and LODA may be requested to refund to IDA amounts advanced to the Designated Accounts.

42. IDA will have the right to suspend disbursement of the Funds if reporting requirements are not complied with, as reflected in the Financing Agreement.

### *Financial reporting arrangements*

43. MININFRA and LODA will prepare interim un-audited financial statements (IFRs) on a quarterly basis to be submitted to the World Bank within 45 days after the end of the calendar year quarter. The other implementing agencies (CoK and the 6 Secondary Cities) will prepare un-audited interim financial reports on a quarterly basis to be submitted to LODA for consolidation within 30 days after the end of the calendar year quarter. Advances to these implementing agencies will be accounted for on the basis of their individual SOEs which will be consolidated by LODA. The IFR submitted will include the following:

- (a) A statement of Sources and Uses of Funds
- (b) A statement of Uses of Funds by Project Activity/Component and the budget execution report;
- (c) Variance analysis and reasons for the variance
- (d) Designated account activity statement
- (e) Executive summary and notes to the accounts including a report on internal audit activity in each implementing entity related to the project activity
- (f) A statement of accounting policies adopted with explanatory notes
- (g) Procurement Report on prior review contracts.

44. Currently, all implementing entities are required to prepare monthly reports and are submitted to MINECOFIN on a monthly basis. Delays in the submission were noted at LODA and the secondary cities. Financial statements will be prepared in accordance with International Public Sector Accounting Standards (IPSAS). Expenditure will be reported on actual rather than disbursement.

### *External Auditing arrangements*

45. The external auditing for the project will be undertaken by the Office of the Auditor General of Government (SAI). The Office of the Auditor General of State Finances (OAG) is the Supreme Audit Institution (SAI) of Rwanda. The OAG was established in 1998 by Law no. 05/98 of 4th June 1998 and became the SAI of Rwanda in June 2003. It is headed by the Auditor General assisted by a Deputy Auditor General. The Office of the Auditor General is vested with legal personality.

46. According to article 165 of the constitution of Rwanda as amended to date, the responsibilities of OAG include auditing of revenues and expenditures of the state as well as the local administrative entities, public entities, parastatals and government projects; particularly verifying whether the expenditures were in conformity with the laws and regulations in force and sound management. Therefore, OAG has the constitutional responsibility for carrying out all audits in the Republic of Rwanda. The audits will be conducted in accordance with International Standards on Auditing and the accounts are prepared using the International Public Sector

Accounting standards (IPSAS). The accounting year for the project will be July 1 to June 30. The Financing Agreement will require the submission of audited financial statements for the project to the Bank within six months after the financial year-end. The financial statements of the project will consist of:

- A Statement of sources and uses of funds. This statement will account for all cash receipts, cash payments and cash balances controlled by the entity and separately identifies payments by third parties on behalf of the entity.
- Revenues and expenditures
- Cash flow statement
- A statement of accounting policies adopted with explanatory notes. This statement and notes should be presented in a systematic manner with items on the Statement of Sources and Uses of Funds being cross-referenced to any related information in the notes. Examples of this information include a summary of fixed assets by category of assets, and a summary of SOE Withdrawal Schedule, listing individual withdrawal applications; and
- A Management assertion on use of funds. The management will provide a statement asserting that Bank funds have been expended in accordance with the intended purposes as specified in the Financing Agreement.

47. Under the Public Sector Governance Program for Results project funded by the Bank, the Office of the Auditor General is receiving capacity building support to improve the quality and timeliness of audits and ensuring that the office has an adequate number of professional staff.

48. The audit arrangements for the project financial statements will be communicated to IDA through agreed terms of reference. One consolidated audit report will be received from the project. Two audit reports for the project are to be submitted within six months after the end of each financial year:

- a) LODA to submit Project Specific Financial Statements for LODA, COK and the 6 secondary cities consolidated into a single audit report;
- b) MININFRA to submit audited financial statements for the activities directly implemented by MININFRA.

49. **Implementation support plan.** Supervision missions to review financial management will be an integral part of the project's implementation reviews. The budget for supervision will take into account the need to increase the efficiency of financial controls and related support in project implementation. It is also envisioned that joint supervision missions with procurement staff to strengthen Bank control and support will be conducted. Bi-annual supervision visits to the field are anticipated.

## Financial Management Action Plan

50. The following actions need to be undertaken in order to enhance the financial management arrangements for the Project:

**Table 3.2. Actions for Enhancing Financial Management Arrangements**

	<b>Action</b>	<b>Deadline</b>	<b>Responsible agency</b>
<b>Accounting</b>	Liaise with MINECOFIN to ensure the project is on IFMIS for reporting purposes	At least 3 months after negotiations	MININFRA/LODA/MINECOFIN
	Recruit a senior qualified accountant for LODA, and an accountant for CoK	No later than one month after effectiveness	LODA/COK
<b>Budgeting</b>	Prepare annual work plans and budgets, break down annual project budget in quarters for easier monitoring	By effectiveness	MININFRA/LODA
<b>Internal Control/Internal Audit</b>	A financial management manual detailing the internal control system included in the PIM that will be applicable to all entities	Effectiveness	MININFRA/LODA
	Ensure that each District has at least has 2 internal auditors since one is inadequate	Within three months after effectiveness	Districts
<b>Capacity Building</b>	Provide training on Financial Management (6 elements), disbursement, SOE preparation and IFR preparation	During Implementation	WB

## Procurement Arrangements

51. **Procurement Legal Framework.** The GoR has an effective public procurement legal framework that is based on the United Nations Commission on International Trade Law (UNCITRAL) and is quite robust and covers all aspects of public procurement for use by all levels of government agencies. The Government is moving towards modernizing its procurement function to improve compliance, efficiency, transparency, fair competition, value for money and control system. Law N°05/2013 of 13/02/2013 modifying and complementing Law N° 12/2007 of 27/03/2007 and subsequent Ministerial Order N° 001/14/10/TC of 19/02/2014 have been enacted for use by all procuring agencies across the nation. The law is supported by implementing Regulations and a User Guide to facilitate understanding of the requirements and good practice. There are Standard Bidding Documents (SBD) to simplify and standardise the bidding process. The Regulations, User Guide and SBD are made available on Rwanda Public Procurement Authority's (RPPA) website.

52. RPPA has undertaken the study *Performance and Value for Money Assessment of Rwanda's Public Procurement System*. The study includes development of Key Performance Indicators (KPI) which will be used by RPPA in monitoring the ability of public procuring entities to attain value for money. Implementation of the findings of the study is anticipated in 2016. The Government of Rwanda is also developing an E-procurement system for public procurement with support from the Bank financed Public Sector Governance PforR and is expected to become operational in two years.

53. The Law establishes institutional arrangements at a procuring entity level, including the Procurement Unit (PU), Tender Committee (TC), and Accounting Officer (Chief Budget Manager). Every procuring entity in the country is required to have an internal tender committee (ITC) comprised of 7 members serving a maximum of 3 years and with responsibilities to (i) clear bidding documents; (ii) open bids; (iii) evaluate bids; (iv) recommend awards; and (v) recommend amendments and changes to contracts. ITC is accountable to the Chief Budget Managers at both national and district levels.

54. The procurement legal framework provides for independent review panels in case of complaints arising from the bidding and/or selection processes. The first course of dispute settlement mechanism is amicable resolution. In circumstances where agreement cannot be reached, the cases are escalated to the National Independent Review Panel (NIRP) or District Independent Review Panel (DIRP) for contracts at the district level. If the DIRP is unable to settle the dispute, it can be referred to NIRP before resorting to court. To ensure transparency, the law clarifies that representatives of the private sector should comprise more than 50 percent of NIRP's membership.

#### *Procurement Cycle Management*

55. **Procurement Planning.** Procuring entities are required to prepare annual procurement plans (PP) which have to be submitted to RPPA and MINECOFIN together with their work plans as part of the budgeting process. The RPPA is responsible for monitoring the preparation and implementation of PPs which are also published on its website per the requirements of the Public Procurement Law. Procurement plans can be revised during the second and third quarters of the financial year. The Procurement tools prepared by RPPA present detailed activities to be included during the procurement planning exercise, such as: description of the contract, procurement method, source of funds, lead time for no objection to draft bidding document, publication lead time, no objection lead time to contract award and contract management (delivery period). Procuring entities are expected to strictly follow the PP. When there are deviations, such as contract not included in the PP, a different procurement method needs to be used than what has been specified in the PP, or that the agency intends to use single source selection (SSS) or direct contracting (DC) a no objection from the RPPA is required.

56. Although all procuring entities comply with the requirement to prepare a PP, the assessment revealed that there are weaknesses in preparing realistic PP and in fully complying with it. The major reasons for the unrealistic PPs are timing of the planning, (which is normally before budget approval and without knowledge of the exact amount of the budget allocation) and shortage of budget as a result of insufficient district revenue collection. There is also a lack of

capacity in preparing realistic cost estimates which can sometimes result in cancellation of the bidding process.

57. **Bidding/Selection Processes.** Open competition is a default approach in compliance with the requirements of the public procurement proclamation and ministerial orders. In fact, the *Performance and Value for Money Assessment of Rwanda's Public Procurement System* found that more than 95 percent of bids are awarded on an open competitive basis, which is above the target attained by most countries. National Competitive Bidding (NCB), International Competitive Bidding (ICB), Shopping, Direct Contracting and Restricted Tendering are the methods commonly used and are applied based on thresholds. However, the predominant procurement methods used by the agencies are NCB and Shopping. A clear and applicable guideline for selection of procurement method and process is elaborated in the User Guide issued by RPPA. Furthermore, RPPA provides standard bidding documents and templates for bid opening and evaluation reports. Single sourcing is used under specific conditions such as (i) where there is only one supplier, (ii) emergency (iii) Addendum for up to 20 percent of the initial contract, (iv) for small contracts of up to 100,000 RWF and (v) as provided under Clause-17 of the national procurement law for extraordinary circumstances with justifications provided by the implementing agency and approved by the Director General of the RPPA. Such requests must be approved by the concerned Minister and submitted by the Permanent Secretary of the ministry.

58. **Bidding Documents.** RPPA has prepared Standard Bidding Documents (SBD) for all categories of contracts, and is made available on RPPA's website. The documents are accessible to all procuring entities (PEs) and the public. PEs are familiar with the SBD having received trainings from RPPA on a continuous basis. The SBDs used for open domestic bidding are comprehensive in nature and contain all the relevant information, which should enable bidders to prepare responsive bids. The evaluation criteria are generally non-discriminatory and encourage competition. The SBD are prepared based on internationally recognized standards such as that of the World Bank. The assessment revealed that bidding documents and RFPs issued by the implementing agencies fall short of meeting the required standard, especially on those sections that are to be customized, such as Technical Specifications and TORs. These sections are normally reviewed by technical experts from user departments.

59. In order to address this issue, RPPA is now preparing standard technical specifications for common items and plans to make it available on their website. The national SBD has provision for price adjustments applicable when contract duration is nine months or above. There is also a separate section for qualification and evaluation criteria. Public institutions are required to follow the national SBD in undertaking their procurements. None of these agencies are familiar with Bank SBDs as they have never implemented Bank financed projects in the past.

60. **Pre-Qualification.** The national procurement law also provides for the application of pre-qualification (PQ) for procurement of large and complex works and goods contracts. However, none of the assessed implementing agencies had applied PQ in the past, as they have never had such large and complex contracts.

61. **Advertisement.** Procurement arrangements provide for wide advertising of bidding opportunities, through local newspapers and online media, such as, DgMarket, Client connection, UNDB online (for high value contracts). Bids are in general advertised on local and regional (East

African) newspapers and respective agencies websites for national tenders and additionally through DgMarket for ICB contracts. Time allowed for national bids is a minimum of 30 days and for ICB 45 days meeting the international standard.

62. **Communications.** All agencies comply with a requirement in the law that communications with bidders and consultants for clarification or contract addendum is done in writing.

63. **Receipt and opening of bids.** Bids are opened in public where all bidders and the public who choose to attend are allowed to attend. Minutes of bid openings are commonly filed as required by the law.

64. **Bid Examination and Evaluation.** Bid opening, evaluation and award recommendation is made by the ITC of the respective PE. Approval of contract award is the responsibility of the Chief Budget Manager (in the case of districts, the Executive Secretary) by way of signing award letters and the contract agreements.

65. **Contract award and effectiveness.** With most works contracts, successful bidders have to wait an excessively long time for a signed contract once they have been evaluated to be the best evaluated bidder. Contracts are in general awarded to lowest evaluated responsive bidder. However, prices are commonly negotiated with the lowest bid when the amount is above the planned estimate, though the law doesn't have a provision for negotiating on price for Goods, Works and Fees of consultants. According to findings of the procurement assessment undertaken by the Bank during project preparation, MININFRA, LODA, Nyagatare and Muhanga districts negotiate prices when the bid offer is above the estimated budget.

66. **Contract Administration.** Rwanda's procurement law requires that invoices are paid within no more than 45 days from date of submission by the contractor/supplier/consultant. However, a significant number of contractors find that their payments are delayed. This affects the cash flow the contractor needs to keep the work going. The problem is mainly attributed to cash shortage as a result of delay in transferring budget from MINECOFIN to the districts. The assessment revealed that payment delays last for as long as 3 months or even more.

67. Variation and excess in quantity up to a maximum of 20 percent is allowed by Rwanda's procurement law, and are implemented with review and approval of the ITC. Whenever variations are in excess of 20 percent, PEs need either call for a bid for the variation or receive the no objection of RPPA, should the same contractor/supplier/consultant be engaged. The assessment revealed that variation is not common with most contracts in Rwanda which is a positive sign from the contract administration point of view.

68. Procurement audits are conducted by RPPA once every two years on average. OAG audits all public institutions on an annual basis and procurement compliance is also audited as part of the performance audit. Besides, every PE has an internal audit unit which is overseeing agencies' procurement activities on a day to day basis.

69. **Organization, Function and Staffing.** According to the revised organizational structure of public institutions, each PE at the national and district level is to have two procurement officers, except for CoK which has 5 procurement officers. As shown in the Table 3.3 below, all procuring entities have the required staffing.

**Table 3.3. Required and Actual Procurement Officers at entity level (as of December 2015)**

SN	Implementing Agency	Required	Actual
1	CoK	5	5
2	MININFRA	2	2
3	LODA	1	1
4	RHA	2	2
5	Nyarugenge	2	2
6	Nyagatare	2	2
7	Muhanga	2	2
8	Huye	2	2
9	Musanze	2	2
10	Rubavu	2	2
11	Ruisizi	2	2
	<b>Total</b>	<b>24</b>	<b>24</b>

*Source:* Procurement Assessment for the Preparation of the RUDP (2015)

70. The actual number and qualification of procurement officers is adequate. All have a first degree and a couple of years of work experience.

71. High staff turnover has been a major problem in the past due to low salaries and lack of career development in the field. This problem is now being mitigated with the introduction of a regulation that requires civil servants to commit to a three year service. A civil servant who does not honor this commitment may not rejoin a public institution for another seven years.

72. Adequate resources have been made available to manage procurement under the project with the hiring of a procurement specialist at the SPIU to exclusively manage procurement under the Project and RGLTF, the MICST and the government's staff retention mechanism.

73. In Rwanda procurement trainings are offered by:

- RPPA: on the national procurement laws, procedures and directives on a regular basis and induction trainings for newly recruited procurement officers and newly appointed ITC
- International Training Center
- Turin University, jointly with RPPA and the College of Economics and Banking at the University of Rwanda.

However, the trainings need to be coordinated and aligned with the need to focus on problem areas such as contract management.

74. **Procurement Experiences of Implementing Agencies.** The total number of contracts (works, goods and consultancy services) managed by the implementing agencies, in FY13-14 was 503. The largest number of contracts are for Goods with 185 (36.78 percent) contracts, followed by consultancies 152 (30.22 percent) and Works with 141 (28.03 percent) contracts. But in terms of Contract Value, Works take the largest share of 91.48 percent, followed by consultancy and goods contracts. The number and value of contracts implemented by the implementing agencies is summarized in Tables 3.5 and 3.6 below:

**Table 3.4. Number and Value of Contracts Implemented in FY13–14**

Sl B	Agency	# of Contracts				Value of Contracts (RWF)			
		W	G	C	Sum	Works	Goods	Consul.	Total
1	CoK	18	5	37	60	54,239,172,898	481,333,694	3,010,207,660	57,730,714,252
2	MININFRA	1	21	8	30	N/A	N/A	N/A	N/A
3	LODA	0	–	–	25	N/A	N/A	N/A	N/A
4	RHA	10	24	17	51	4,064,382,106	374,521,779	879,447,925	5,318,351,810
5	Nyarugenge	10	23	9	42	176,223,985	425,179,558	–92,388,975	693,792,518
6	Nyagatare	14	19	11	44	642,771,092	466,895,895	115,936,255	1,225,603,242
7	Muhanga	7	40	10	57	1,816,000,000	282,690,000	141,800,000	2,112,870,000
8	Huye	23	15	10	48	2,410,549,608	305,085,392	148,577,800	2,864,212,800
9	Musanze	25	17	22	64	1,577,544,538	327,866,985	260,242,259	2,165,653,782
10	Rubavu	14	14	21	49	1,249,716,127	224,352,774	198,341,815	1,672,410,716
11	Rusizi	19	7	7	33	1,982,686,774	789,846,500	65,728,598	2,838,261,872
<b>Sum</b>		<b>141</b>	<b>185</b>	<b>152</b>	<b>503</b>	<b>68,159,047,128</b>	<b>3,372,992,270</b>	<b>4,912,671,287</b>	<b>76,444,710,685</b>

**Table 3.5. Largest Value Single Contract Awarded By Respective Agencies**

S.No.	Agency	Maximum Value of single Contract (US\$)		
		Works	Goods	Consultancies
1	CoK	36,913,000	851,100	584,100
2	MININFRA	N/A	N/A	N/A
3	LODA	0	Small value	700,000
4	RHA	N/A	N/A	N/A
5	Nyarugenge	36,272.46	73,557.97	854,435.95
6	Nyagatare	2,307,693	188,406	51,428
7	Muhanga	1,642,029	46,087	63,239
8	Huye	1,378,537	132,856	40,580
9	Musanze	990,249	176,377	67,954
10	Rubavu	1,360,221	136,151	63,130
11	Risizi	1,231,011	922,559	22,365
<b>Max. of all (US\$)</b>		<b>45,859,012</b>	<b>2,527,094</b>	<b>2,447,234</b>

75. As indicated in Table 3.5 above, with exception of CoK, none of the implementing agencies have experience in implementing large value contracts. Hence the agencies need to build their capacity over the long term but in the interim will have to rely on experts in LODA’s SPIU, who have the skills and qualifications to prepare specifications and to evaluate the bids/proposals.

76. **Record Keeping.** Rwandan law requires procurement records be kept for 10 years, starting from the end of the procurement contract, and PEs generally comply with this requirement. However, procurement records of most agencies tend to be incomplete. Important documents such as invoices and payments, deliverables, goods receiving inspection reports, projects handover (completion) report and documents related to contract administration are commonly not attached to the procurement files. One has to visit various units (such as finance and contract administration units), to be able to review the full cycle of procurement, from planning to completion of contracts. In general, the assessment revealed that the procurement unit plays a limited role during contract implementation, as they are not normally involved in the contract management.

## Accountability, Support and Control System

77. **Complaints handling.** The procurement law provides for procedures and mechanisms by which contractual disputes are resolved. The system allows for any complaints to be handled administratively and where these are unsuccessful, arbitration and judicial reviews maybe undertaken. Provisional notification of bid evaluation results are issued and seven days are allowed before the final award notification, for bidders who might have a complaint to lodge. Response to the complaints, if any, is given within seven days from the date of filing.

78. Complaints are first addressed to the Corporate Service at the national level and Chief Budget Manager (Executive Secretary) at the district level. Following responses from implementing agencies, bidders who have grievances over the procedures of procuring entities have the right to lodge complaints to the National Independent Review Panel (NIRP) or District Independent Review panel (DIRP). At the district level, a bidder not satisfied with the response of DIRP can appeal to the NIRP. The final level of appeal is to escalate the case to a court of justice. The NIRP has seven members, one permanent member from RPPA, and six members from different public institutions and the private sector. According to the procurement law, those from government institutions should constitute less than 50 percent of the Panel so as to ensure fairness.

79. Procurement audits are conducted by the RPPA once every 2 years on average and annually by the OAG. RPPA lacks adequate human resources to enable it to audit the procurement practices of all PEs on an annual basis. In addition to the regular audits by RPPA and the OAG, the office of the ombudsman conducts periodic procurement audits, as necessary. With RPPA and OAG undertaking regular procurement audits, the independence of their findings is ensured. The OAG findings are reported to parliament, and in case of procedural flaws, a Panel of Inquiry is established by a parliamentary standing committee and the PEs are called upon to provide explanations. Implementation of audit findings and recommendations are monitored by the internal audit units of respective entity, the subsequent audit mission and the parliamentary standing committee.

80. **Basic Transparency.** In an accordance with the law, PEs have been publishing their PPs on their own websites as well as that of the RPPA allowing them to attract more bidders/consultants. The Procurement Assessment conducted for the preparation of the Project has found that not all PEs comply with the provision of the Ministerial Order requiring them to publish contract awards on their notice boards (especially for NCB contracts) and their own websites as well as that that of RPPA; and in addition on Dg-Market for ICB contracts. The practice with most districts is that invitations for bids are published in “*Imvaho Nshya*” (national newspaper) and on the District websites, while awarded contracts are published only on District websites and on its Notice Boards. There are number of irregularities, in this regard. For example, Nyarugenge district sends final notifications to the winner and regret letters to other competitors, without posting on their own website and notice board. Procuring Entities inform all bidders and consultants the results of the evaluation and award recommendations which is commendable.

81. According to the national procurement law, contract prices are not negotiated for goods and works. And for consultancy services, whenever price has been a factor, such as QCBS, fixed budget or least cost selection methods, consultant fees shall not be subject to negotiation. However, according to findings of the assessment, some PEs negotiate when the amount offered is above the

budget and what they perceive to be higher than market rates. The assessment revealed that Muhanga, Nyagatare and Rubavu, districts negotiate on price for Goods and Works when the quotation is above the estimated budget.

82. In compliance with the law, open competitive bidding is a default method for all contracts with an estimated amount of RWF10 million or above. This is consistent with the findings of the recent study by Crowne Agent, *Procurement System and Value for Money Assessment* which found that 95 percent of procurement selections used this method.

83. **Basis of accountability of procurement officials.** There is a national code of ethics for civil servants and applies to all public institutions without exception. In addition, accountability and conflict of interest associated with public procurement are well addressed in the revised procurement law No. 05/2013.

### **Major Findings of Procurement Capacity Assessment**

84. The Procurement Capacity Assessment revealed both strengths and challenges in the procurement environment.

85. Major findings on strengths of the procurement systems and practices are:

- Availability of a sound and robust procurement legal framework
- PP preparation is mandatory and practiced by all implementing agencies at all levels
- The practice of publishing PPs on RPPA's website boosts transparency and competitiveness
- Availability of directives, guidelines and standards derived from the procurement legal framework
- Wide advertisement of bids
- Availability of adequate procurement officers in the agencies, with few exceptions
- An established institutional setup for implementation of procurement activities for each PE be it at national or district level
- Reasonable presence of oversight and accountability (procurements and/or contracts are monitored regularly, by RPPA on sample basis)
- The public procurement directives require that implementing agencies comply with a well-defined complaints handling mechanism which is adhered to
- Majority of awarded contracts of works and goods are based on lowest evaluated responsive bidder

- A good number of consulting services' contracts are awarded through QCBS procedures.

86. The main challenges are:

- Delays in contract award and effectiveness
- Poor contract administration capacity and poor contract administration arrangement, especially at the district level
- High staff turnover due to low remuneration rates and opportunities for professional development
- All districts and most implementing agencies at the national level lack experience in implementing ICB contracts and complex consultancy services
- Lack of skilled staff with experience in handling high value procurement
- Contract awards not published as per the requirement of the law
- Lack of maintaining adequate procurement records. Procurement files often do not include key documents such as payments, inspection reports, deliverables and documents related to contract administration
- RPPA's current capacity (in terms of number of procurement staff) does not allow it to conduct procurement auditing on annual basis. PEs are audited once every two years on average
- Delay in payment to contracts/suppliers/consultants for services/goods delivered
- Non-compliance with procurement law and regulations: (i) negotiating on bid prices where it is not provided in the law and no standard is set, within what range the committee could negotiate, and (ii) evaluation results and award recommendations are not disclosed as per the requirement of the law.

87. **Inherent Risk.** A clear legislative and regulatory framework for procurement is fundamental to a well-functioning procurement system whose inadequacy creates a high procurement risk. The Rwandan legal framework for procurement is robust and adequately embeds principles that ensure transparency, fairness, efficiency, and accountability and value for money. The law is supported by regulations, procurement procedures, guidelines and manuals. Hence project inherent procurement risk is rated **low**.

88. **Procurement Governance and Capacity Risk.** As described above, there is inadequate capacity and experience to implement large and complex contracts, lack of experience in implementing development partner funded projects and lack of experience with Bank standards and guidelines. Hence the procurement governance and capacity risk is rated **high**.

89. **Summary of Risk Assessment.** Drawing on an assessment of inherent, governance and capacity risks as presented above, there are significant capacity limitations of implementing agencies in general and those at the district level in particular. Hence, the procurement risk is rated **Substantial**.

90. **Procurement Risk mitigation measures.** However, with implementation of suggested mitigation measures such as strengthening the SPIU, setting up MICST to offer the necessary support to districts, enhancing contract administration capacity of implementing agencies through training and closely monitoring the implementation of the PIM, the risk can be improved to **Moderate**.

91. The measures to mitigate the above risks are presented in Table 3.6 below:

**Table 3.6. Action Plan to Mitigate the Project Risks**

S. No.	Action	Due Date	Responsibility
1	LODA shall hire one procurement specialist for the SPIU and one procurement specialist for MICST.	Prior to effectiveness	LODA-SPIU
2	Project Implementation manual (PIM) will be prepared and approved.	Prior to effectiveness	LODA-SPIU & World Bank
3	Mitigate project unit staff turnover.	Prior to effectiveness	MININFRA and World Bank
4	Enhance contract administration capacity of implementing agencies, by providing trainings and closely monitoring the implementation.	In the first three months of effectiveness	RPPA and the World Bank
5	RPPA will send out reminders to all project implementing agencies to publish contract awards and follow up, by means of the procurement auditing.	At the commencement of implementation	RPPA
6	Include record keeping as part of procurement training for implementing entities. Procurement audit to review record keeping of implementing entities.	Within two months of effectiveness	RPPA and World Bank
7	Hands-on support to districts in handling large and complex contracts.	Throughout implementation	LODA-SPIU

92. **Applicable Procurement Guidelines.** Procurement under the proposed project will be carried out in accordance with the following Bank guidelines:

- (a) "Procurement of Goods, Works and Non-Consulting Services under IBRD Loans and IDA Credits & Grants" dated January 2011 and revised in July 2014
- (b) "Selection and Employment of Consultants under IBRD Loans and IDA Credits & Grants by World Bank Borrowers" dated January 2011 and revised July 2014
- (c) "Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants (the Anticorruption Guidelines)" dated October 15, 2006 and revised in January 2011
- (d) Provisions stipulated in the Financing Agreement.

93. The various items under different expenditure categories are described in the procurement plan. For each contract to be financed by the Credit, the different procurement methods or consultant selection methods, estimated costs, prior review requirements, and time frame will be agreed between the Borrower and the World Bank in the Procurement Plan. The Procurement Plan will be updated at least annually, or as required to reflect the actual project implementation needs and improvements in institutional capacity. The Borrowers as well as contractors, suppliers, and consultants will observe the highest standards of ethics during procurement and execution of contracts financed under this project.

94. The Bank standard bidding documents for goods and for works as well as the Bank standard Requests for Proposals will be used for all ICB contracts and consultant contracts advertised internationally. The same documents may be used for contracts advertised locally, if preferred by the procuring agency.

95. **National Standard Bidding Documents** may be used for procurement of goods, works and non-consulting services under NCB procedures. Alternatively, the Bank's SBDs may be used for NCB with appropriate modifications. Furthermore, in accordance with para.1.16 (e) of the Procurement Guidelines each bidding document and contract financed out of the proceeds of the Financing shall provide that: (i) the bidders, suppliers and contractors, and their subcontractors, agents, personnel, consultants, service providers or suppliers shall permit the Bank, at its request, to inspect their accounts, records, and other documents relating to submission of bids and contract performance and to have said accounts and records audited by auditors appointed by the Bank; and (ii) deliberate and material violation by the bidder, supplier, contractor or subcontractor, of such provision may amount to an obstructive practice as defined in paragraphs 1.16 (a) (v) of the Procurement Guidelines.

96. **Procurement of Works.** Procurement for works will include construction of various municipal infrastructures, supply, install and commission. Contract packages estimated to cost US\$10 million equivalent per contract and above will be procured through ICB procedures. Contracts estimated to cost less than US\$10 million equivalent per contract can be procured through NCB procedures using the latest version of National SBD. Small works contracts estimated to cost less than US\$200,000 equivalent per contract may be procured through Shopping procedures by comparing prices for quotations received from at least three (3) reliable contractors or suppliers. In such cases, request for quotations shall be made in writing and shall indicate the description, scope of the works, the time required for completion of the works and the payment terms. All quotations received shall be opened at the same time. Direct Contracting (DC) for works may exceptionally be an appropriate method in emergency situations, provided the Bank is satisfied in such cases that no advantage could be obtained from competition and that prices are reasonable.

97. **Procurement of Goods.** Contract packages estimated to cost US\$1 million equivalent per contract and above will be procured through ICB procedures. Contracts estimated to cost less than US\$1million equivalent per contract can be procured through NCB procedures. Small contracts estimated to cost less than US\$200,000 equivalent per contract may be procured through shopping procedures by comparing prices for quotations received from at least three (3) reliable contractors or suppliers. In such cases, request for quotations shall be made in writing and shall indicate the description and specifications, quantities, delivery period and payment terms. All quotations

received shall be opened at the same time. As a general rule, a qualified supplier who offers goods or materials that meet the specifications at the lowest price shall be recommended for award of the contract. Limited International Bidding (LIB) for goods may exceptionally be used when there are only a limited number of known suppliers worldwide. DC for goods may exceptionally be an appropriate method in emergency situations, provided the Bank is satisfied in such cases that no advantage could be obtained from competition and that prices are reasonable.

98. **Procurement of non-consulting services.** Non-consulting services which are services that are not intellectual or advisory in nature will include insurance services. The procurement of non-consulting services shall follow the existing Bank's SBDs for ICB, or national SBDs for NCB.

99. **Framework Agreement** is a long-term agreement with suppliers, contractors and providers of non-consulting services which sets out terms and conditions under which specific procurements (call-offs) can be made throughout the term of the agreement. Framework Agreements may be permitted as an alternative to the shopping and NCB methods for: (a) goods that can be procured off the shelf, or are of common use with standards specifications; (b) non consulting services that are of a simple and non-complex nature and may be required from time to time by the same agency (or multiple agencies) of the Borrower; or (c) small value contracts for works under emergency operations.

100. **Selection of Consultants.** Contracts with firms estimated to cost US\$200,000 equivalent per contract and above will be selected using Quality and Cost Based Selection (QCBS) Method. Quality Based Selection (QBS) and/or Fixed Budget Selection (FBS) may be used for assignments which meet the requirements of paragraph 3.2 and 3.5 of the Consultants Guidelines respectively. However, consultants used for assignments of a standard and routine nature such as audits and other repetitive services would be selected through Least-Cost Selection (LCS) method in accordance with paragraph 3.6 of the Consultants Guidelines. Contracts for consulting services, using firms, estimated to cost less than US\$200,000 equivalent per contract and for which the cost of a full-fledged selection process would not be justified may be selected on the basis of Consultant Qualifications (CQS) in accordance with paragraphs 3.7 of the Consultants Guidelines. Short List of consultants for services estimated to cost less than US\$200,000 equivalent per contract may be comprised entirely of national consultants in accordance with the provisions of paragraph 2.7 of the Consultant Guidelines. For consulting assignments of engineering and contract supervision, short list of consultants for services estimated to cost less than US\$300,000 equivalent per contract may be comprised entirely of national consultants in accordance with the provisions of paragraph 2.7 of the Consultant Guidelines.

101. **Single-Source Selection (SSS)** of consulting firms or individuals would be applied only in exceptional cases if it presents a clear advantage over competition when selection through a competitive process is not practicable or appropriate and would be made on the basis of strong justifications and upon Bank's concurrence to the grounds supporting such justification.

102. **Individual Consultants (IC)** will be selected on the basis of their qualifications by comparison of CVs of at least three candidates from those expressing interest in the assignment or those approached directly by the Implementing Agency in accordance with the provision of Section V of the Consultants Guidelines.

103. **International and National Competitive Bidding.** Except as otherwise provided below, goods, works and non-consulting services shall be procured under contracts awarded on the basis of International and NCB. NCB shall follow the Recipient's procurement procedures.

104. **Prior Review Thresholds.** With the current "Substantial" risk rating of the project; the following thresholds for prior-review will be automatically set by the system at the start of the project. Works and Design, Supply and Installation contracts with an estimated contract value of US\$ 10 million and above, Goods contracts with an estimated value of US\$ 1 million and above and consultancy services with an estimated value of US\$ 0.5 million and above for firm and US\$ 200,000 for individual consultants are subject to the Bank's prior review. All SSS and DC with estimated contract value of US\$ 100,000 and above are subject to Bank's prior review. TORs of all consultancy services, irrespective of their value shall be cleared by the TTL. However the prior review threshold of the project may be revised if a change in Procurement Risk Assessment and Management System (PRAMS) rating during the project implementation. Procurement supervision and post-reviews and audits will be conducted annually.

105. For all contracts awarded through NCB method, the national institutions and regulations that comprise the law including its texts of application, national standard bidding documents, the institutions set up for the control and regulation and the institutions responsible for implementation of procurement activities can be used. The NCB procedures currently in force in Rwanda have been reviewed and found adequate to ensure economy, efficiency, transparency, and broad consistency with the provisions included in Section I and paragraphs 3.3 and 3.4 of the World Bank Procurement Guidelines.

106. **Pre-qualification.** Bidders for works contracts and Plant Design, supply and installation estimated to cost the equivalent or above \$10 million may be prequalified in accordance with the provisions of paragraphs 2.9 and 2.10 of the Guidelines, unless specifically agreed otherwise. For this project, it is agreed that the post qualification procedure will apply unless otherwise the government recommends for Pre-qualification process.

107. **Procurement Plan.** The LODA-SPIU has prepared a global 18-months initial procurement plan (simplified procurement plan) presented in Table 3.7 below, which will provide the basis for the procurement methods. It will also be available in the project's database and in the Bank's external website. The procurement plan will be updated in agreement with the project team annually or as required to reflect the actual project implementation needs and improvements in institutional capacity.

108. **Advance contracting and Retroactive financing.** Payments up to an aggregate amount not to exceed US\$100,000 equivalent made prior to the date of the signing of the Loan Agreement but on or after February 15, 2016 for eligible expenditures may be financed from the Bank loan, provided that the procurement requirements and procedures have been met. All contracts to be financed through retroactive financing from the Bank credit are listed in the agreed procurement plan and will be subject to Bank review and acceptance of the selection process.

**Table 3.7. Simplified Procurement Plan**

**1. Implementing agency: MININFRA**

SN	Description	Est Cost (US\$-mill)	Selection Method	Review by Bank (Prior or Post)	Planned Invitation Date	Planned Proposal Opening Date	Planned Contract Signing Date	Contract Period	Completion Date
<b>Consultancy Services</b>									
1	Selection of project coordinator	0.175	IC	Prior	July 2016	Oct 2016	Nov 2016	1 year renewable	Nov 2021
2	Consultancy Services for the Study of ESIA and RAP for the 6 secondary cities	0.500	QCBS	Prior	Oct 2016	April 2017	May 2017	12 mths	May 2018
3	Consultancy Services for development of Road and Drainage Infrastructure Management System	0.160	QCBS	Prior	Aug 2016	Jan 2017	Feb 2017	24 mths (intermittent)	Feb 2019
4	Consultancy Services for roll out of Geodata Platform to Districts and MININFRA Urban Dashboard and Goods	0.140	QCBS	Prior	Jan 2017	June 2018	Mar 2018	24 mths (intermittent)	Mar 2020
5	Technical Assistance for Urban Unplanned Settlement Upgrading/Sites and Service Housing	0.200	IC	Prior	Sept 2016	Dec 2016	Jan 2017	36 mths (intermittent input)	Jan 2020

**2. Implementing agency: LODA**

S. No.	Description	Estimated Cost (US\$ -x1000)	Selection Method	Review by Bank (Prior or Post)	Planned Invitation Date	Planned Proposal Opening Date	Planned Contract Signing Date	Contract Period	Completion Date
<b>Consultancy Services</b>									
1	Consultancy for construction Supervision (CSC) for Phase 1 infrastructure (Roads and Drainage) in 6 secondary cities	1.200	QCBS	Prior	July 2016	Sept 2016	Dec 2016	26 months + part time for Contractor	Feb 2019

S. No.	Description	Estimated Cost (US\$ -x1000)	Selection Method	Review by Bank (Prior or Post)	Planned Invitation Date	Planned Proposal Opening Date	Planned Contract Signing Date	Contract Period	Completion Date
								DLP	
2	Consultants for Mobile Implementation and Capacity Support Team (MICST)	1.900	QCBS	Prior	Mar 2016	Aug 2016	Sept 2016	30 mths	Mar 2019
3	Update FS, Prelim. and Detailed Design and Tender Document Preparation for Phase-2 of the 6 secondary cities	0.765	QCBS	Prior	Oct 2016	April 2017	May 2017	12 mths	May 2018
4	Local Economic Development (LED) Advisory Services - two floating coaches, reporting jointly to LODA LED and the six secondary districts, to work with and train relevant government officials in the 6 secondary cities, with a focus on the BDE Unit.	0.200	IC	Prior	July 2016	Oct 2016	Nov 2016	24 mths	Nov 2018
5	Support to cities' branding, marketing and promotion - a marketing consultancy to support the development of city brands and marketing strategies aligned with LED strategies, and provide training and coaching for government officials in the 6 cities, with a focus on the mayors, vice-mayors and BDE Units	0.200	QCBS	Prior	Jan 2018	July 2018	Aug 2018	18 mths	Feb 2020
6	Consultancy Services for District Revenue and Expenditure Management	0.200	IC	Prior	Sept 2016	Jan 2017	Feb 2017	18 mths	Aug 2018
7	SPIU Coordinator/Municipal Engineer	0.06	IC	Post	15/02/2016	02/03/2016	12/04/2016	1 year renewable	11/03/2017

S. No.	Description	Estimated Cost (US\$ -x1000)	Selection Method	Review by Bank (Prior or Post)	Planned Invitation Date	Planned Proposal Opening Date	Planned Contract Signing Date	Contract Period	Completion Date
8	SPIU Financial Management Specialist <sup>24</sup>	0.018	IC	Post	15/02/2016	02/03/2016	12/04/2016	1 year renewable	11/03/2017
9	SPIU Procurement Specialist	0.018	IC	Post	3/5/2016	18/5/2016	1/7/2016	1 year renewable	11/03/2017
10	SPIU Social Safeguards Specialist	0.018	IC	Post	15/02/2016	02/03/2016	12/04/2016	1 year renewable	11/03/2017
11	SPIU Environmental Safeguards Specialist	0.018	IC	Post	15/02/2016	02/03/2016	12/04/2016	1 year renewable	11/03/2017

### 3. Implementing agency: City of Kigali (COK - Nyarugenge District Upgrading)

S. No.	Description	Estimated Cost (US\$ - mill)	Procurement Method	Review by Bank (Prior or Post)	Planned Bid Invitation Date	Planned Bid - Opening Date	Planned Contract Signing Date	Contract Period	Completion Date
<b>Works</b>									
1	Infrastructure Upgrading (East) consisting of: Roads, Footpaths and Side Drains with asphalt, cobbles or concrete pavers totaling 11,770m b)Other Drains up to 1.5mx3.0m totaling 600m	5.64	NCB	Prior	August 2016	October 2016	January 2017	24 months +12DLP	January 2019 +DLP
2	Infrastructure Upgrading (West) consisting of: Roads, Footpaths and Side Drains with asphalt, cobbles or concrete pavers totaling 8,905m b)Other Drains up to 1.5mx3.0m totaling 1,935m	3.83	NCB	Prior	August 2016	October 2016	January 2017	24 months + 12 DLP	January 2019+DLP

<sup>24</sup> The cost of the FM, Procurement, environmental and social safeguards consultants is to be shared with the World Bank financed Great Lakes Trade Facilitation Project.

S. No.	Description	Estimated Cost (US\$ - mill)	Procurement Method	Review by Bank (Prior or Post)	Planned Bid Invitation Date	Planned Bid - Opening Date	Planned Contract Signing Date	Contract Period	Completion Date
<b>Consultancy services</b>									
1	Construction supervision consultancy service for both packages (East and West)	0.40	QCBS	Prior	July 2016	September 2016	December 2017	26 months + part time for contractors DLP	February 2020 includes contractors DLP

#### 4. Implementing agency: Huye district

S.No.	Description	Estimated Cost (US\$ - mill)	Procurement Method	Review by Bank (Prior or Post)	Planned Bid Invitation Date	Planned Bid-Opening Date	Planned Contract Signing Date	Contract Period	Completion Date
<b>Works</b>									
1	Asphalt road from Stadium to Petit Seminaire Virgo Fidelis Secondary school-R44-930 m	0.79	NCB	Prior	August 2016	October 2016	January 2017	12 months +12 months DLP	July 2018
2	Six asphalt roads from NR9 to near cemetery, R4A, R7, R1A, R5, R2A, and R26A totalling 1,315 m	1.26	NCB	Post	August 2016	October 2016	January 2017	12 months +12 months DLP	January 2018
3	Asphalt road from NR1 to Junction of R21A at Cyarwa Memorial Site-R43-1,060 m. Asphalt road from Junction of Cyarwa Memorial Site to District Road 107 - R21A 960 m.	2.04	NCB	Post	August 2016	October 2016	January 2017	18 months +12 months DLP	April 2018
4	Six drains in Ngoma area plus 1 drain at R21B in Mukoni area totalling 4,100 m	0.67	NCB	Post	August 2016	October 2016	January 2017	6 months +12 months DLP	July 2017

**5. Implementing agency: Muhanga district**

S.No.	Description	Estimated Cost (US\$ -mill)	Procurement Method	Review by Bank (Prior or Post)	Planned Bid Invitation Date	Planned Bid Opening Date	Planned Contract Signing Date	Contract Period	Completion Date
<b>Works</b>									
1	(a) Asphalt road from RRA to Taxi Park-R14-700 m; (b) asphalt road from NR15 to Kibirigi-R15-770 m; (c) asphalt road from RRA to Taxi Park-R16-460 m; (d) internal asphalt roads in Kibirigi Area-R40-175 m; (e) internal asphalt roads in Kibirigi Area-R73-70 m; (f) existing lined drain to be rehabilitated-D4-220 m; (g) existing lined drain to be rehabilitated-D6-70 m.	1.99	NCB	Prior	August 2016	October 2016	January 2017	18 months +12 months DLP	July 2018
2	(a) Kabgayi asphalt road connecting Hospital to NR1-R43A-430 m; (b) Kabgayi asphalt road connecting Hospital to NR1-R84-725 m	1.21	NCB	Post	August 2016	October 2016	January 2017	12 months +12 months DLP	January 2018
3	(a) Asphalt road from Agakiro to NR1-R19-1,050 m; (b) Internal asphalt roads in Agakiro-R85A-350 m; (c) Internal asphalt roads in Agakiro-R85B-110 m; (d) Internal asphalt roads in Agakiro-R85C-120 m	1.49	NCB	Post	August 2016	October 2016	January 2017	15 months +12 months DLP	April 2018
4	(a) Three existing lined drainage lengths at Ruvumera to be rehabilitated-D1-185 m, D2-190 m, D3-280 m (b) Existing lined drain at Kibirigiri to be rehabilitated D5-195 m	0.13	NCB	Post	August 2016	October 2016	January 2017	6 months +12 months DLP	July 2017

**6. Implementing agency: Musanze district**

S.No.	Description	Estimated Cost (US\$ - mill)	Procurement Method	Review by Bank (Prior or Post)	Planned Bid Invitation Date	Planned Bid - Opening Date	Planned Contract Signing Date	Contract Period	Completion Date
<b>Works</b>									
1	Asphalt road from Sopyrwa National Police Station to Taxi Park-R48-1,533 m	1.54	NCB	Prior	August 2016	October 2016	January 2017	12 months +12 months DLP	January 2018
2	Asphalt road from NM222ST to NM 207 ST-R49-1,399 m	1.39	NCB	Post	August 2016	October 2016	January 2017	12 months +12 months DLP	January 2018
3	(a) Asphalt road: Sonrise-Mpenge-Karere-Rusagara-R24-631 m (b) Asphalt road: Sonrise-Mpenge-Karere-Rusagara-R33A-139 m (c) Asphalt road: Sonrise-Mpenge-Karere-Rusagara-R44-887 m (d) Lined drain rehabilitation at Mpenge Flooding Area - D2-200 m	1.58	NCB	Post	August 2016	October 2016	January 2017	15 months +12 months DLP	April 2018
4	Existing drain for protection of Rwbeya river bank at Kizungu area to be totally rehabilitated	0.42	NCB	Post	August 2016	October 2016	January 2017	6 months +12 months DLP	July 2017

**7. Implementing agency: Nyagatare district**

S.No.	Description	Estimated Cost (US\$ - mill)	Procurement Method	Review by Bank (Prior or Post)	Planned Bid Invitation Date	Planned Bid - Opening Date	Planned Contract Signing Date	Contract Period	Completion Date
<b>Works</b>									
1	Asphalt road from Umutare Polytechnique to National Road RN 13-R2-1,400m	1.42	NCB	Prior	August 2016	October 2016	January 2017	12 months +12 months DLP	January 2018
2	a) Asphalt Road to Nyagatare Hospital-R2B-475m b) Asphalt Road from WASAC office to Army Camp-R2-30m	1.27	NCB	Post	August 2016	October 2016	January 2017	9 months +12 months DLP	October 2017

S.No.	Description	Estimated Cost (US\$ - mill)	Procurement Method	Review by Bank (Prior or Post)	Planned Bid Invitation Date	Planned Bid - Opening Date	Planned Contract Signing Date	Contract Period	Completion Date
	c) Asphalt Road to Agakiro Center-R14-340m								
3	Asphalt Road from Rond Point to Barija - R11-1,360m	1.32	NCB	Post	August 2016	October 2016	January 2017	12 months +12months DLP	January 2018
4	Drainage lengths near Umutare Polytechnique to be rehabilitated: - D1 to D7-3,830m	0.46	NCB	Post	August 2016	October 2016	January 2017	9 months +12months DLP	October 2017

#### 8. Implementing agency: Rubavu district

S.No.	Description	Estimated Cost (US\$ - mill)	Procurement Method	Review by Bank (Prior or Post)	Planned Bid Invitation Date	Planned Bid - Opening Date	Planned Contract Signing Date	Contract Period	Completion Date
<b>Works</b>									
1	a) Komerero Asphalt Road-From Centre de Jeunes -Airport -- R7- 1,100 m b) Komerero Asphalt Road-From Centre de Jeunes -Airport - - R8- 815 m c) Lined Drain Rehabilitation at Gisenyi, Nengi - D1 along Road 160m d) Lined Drain Rehabilitation at Gisenyi, Nengi - D5 along road 500m	2.18	NCB	Prior	August 2016	October 2016	January 2017	18 months +12 months DLP	July 2018
2	a) Asphalt Road: Agakiro-Petite Barriere- Karundo Road - R2-300m b) Asphalt Road: Adventist Church to Mbugangari Mkt - R3- 1,250m c) Asphalt Road: Agakiro-Petite Barriere- Karundo Road - R20-500m	1.74	NCB	Post	August 2016	October 2016	January 2017	15 months +12months DLP	April 2018
3	a) Lined Drain Rehabilitation at Gisenyi, Nengi - D2-325m	0.63	NCB	Post	August 2016	October 2016	January 2017	9 months +12months DLP	October 2017

S.No.	Description	Estimated Cost (US\$ - mill)	Procurement Method	Review by Bank (Prior or Post)	Planned Bid Invitation Date	Planned Bid - Opening Date	Planned Contract Signing Date	Contract Period	Completion Date
	b) Lined Drain Rehabilitation at Gisenyi, Nengi - D3-260m c) Lined Drain Rehabilitation at Gisenyi, Nengi - D4-290m d) Lined Drain Rehabilitation at Gisenyi, Nengi - D5 part- 200m								

**9. Implementing agency: Rusizi district**

S.No.	Description	Estimated Cost (US\$ - mill)	Procurement Method	Review by Bank (Prior or Post)	Planned Bid Invitation Date	Planned Bid Opening Date	Planned Contract Signing Date	Contract Period	Completion Date
<b>Works</b>									
1	a) Asphalt Road-From National Rd to Stadium - R1A- 350m b) Asphalt Road-From National Rd to Stadium - R1B-1 – 900m c) Asphalt Rd from Army Camp Junction to District Office/Court - 380m	1.65	NCB	Prior	August 2016	October 2016	January 2017	12 months +12 months DLP	January 2018
2	a)Asphalt Road-From Rusizi Stadium to National Road - R1B-2-1,970 m	1.91	NCB	Prior	August 2016	October 2016	January 2017	15 months +12months DLP	April 2018
3	a)Stadium to Cathedral Road - R3-1,075m b) Drain Rehabilitation at Gihundwe Area - 275m c) Drain Rehabilitation at Gihundwe Area -100m	01.00	NCB	Post	August 2016	October 2016	January 2017	9 months +12months DLP	October 2017

109. Table 3.8 provides the details of the procurement arrangements involving international competition.

**Table 3.8. Procurement Arrangements for Goods, Works and Non-Consulting Services**

S.No.	Procurement Method (Goods and Works)	Contract Value Thresholds in US\$	Prior Review Thresholds in US \$	Comments
1	International Competitive Bidding (ICB) (Goods)/ Non-Consultants Services	<1,000,000 National SBD ≥1,000,000 Bank SBD must be used	≥ 1,000,000	Sample contracts shall be reviewed outside of PROCYS
2	Limited International/National Bidding (LIB/ LNB)/ (Goods)/Non--Consultants Services	No specific ceiling	All contracts	
3	National Competitive Bidding (NCB) (Goods)/ Non- Consultants Services	< 1,000,000	None	Sample contracts shall be reviewed outside of PROCYS
4	National Shopping (NS) (Goods)/ Non-Consultants Services	< 100,000	None	
5	Direct Contracting	No specific ceiling	≥ 100,000	
6	IT Systems, and Non-consulting Services - ICB	<1,000,000 national systems acceptable to the Bank ≥1,000,000 standard bidding documents must be used	≥ 1,000,000	Sample contracts shall be reviewed outside of PROCYS
7	IT Systems, and Non-consulting Services - NCB	<1,000,000	None	Sample contracts shall be reviewed outside of PROCYS
8	ICB (Works)	<10,000,000 national systems acceptable to the Bank ≥10,000,000 standard bidding documents must be used	≥ 10,000,000	Sample contracts shall be reviewed outside of PROCYS
9	NCB (Works)	< 10, 000,000	None	Sample contracts shall be reviewed outside of PROCYS
10	Shopping (Works)	< 200,000 per contract	None	Sample contracts shall be reviewed outside of PROCYS
11	Direct Contracting	No specific ceiling	All contracts ≥100,000	
12	Community Participation	Amount not specified	N/A	

**Table 3.9. Procurement Arrangements for Consulting Assignments**

No	Selection Method (Consultants)	Threshold in US\$	Prior Review Threshold	Comments
1	Consulting Services - Firm QCBS, QBS, LCS, CQS	≥ 500,000	All	All TORs are subject to prior review regardless of the contract amount. Sample contracts, irrespective of their values, shall be prior reviewed outside of PROCYS.
2	Single Source (SSS) (Firms)	≥ 100,000	All	All TORs are subject to prior review regardless of contract amount
3	Individual Consultant (SSS)	≥ 100,000	All	All TORs are subject to prior review regardless of contract amount
4	Individual Consultant (CV Comp)	≥ 200,000	All	All TORs are subject to prior review regardless of contract amount. Sample contracts, irrespective of their values, shall be prior reviewed outside of PROCYS.

*Environmental and Social (including safeguards)*

110. **Background.** The rate of urbanization in Rwanda stands at 16 percent (2012), but the annual growth rate of 4.5 percent far exceeds the global average of 1.8 percent. All the beneficiary cities of the RUDP are highly populated with population densities ranging from 130 residents per square kilometer for Nyagatare City to 4,605 residents per square kilometer in the 4 cells of Nyarugenge area of the CoK. Since 1990, rural settlers have migrated to development growth points in large numbers. The urbanization process in Kigali city and secondary cities is taking place in a rapid and uncoordinated manner, so that social services, employment opportunities as well as infrastructure are lagging behind. Kigali’s unplanned settlements occupy 62 percent of the land area of the city, and houses 83 percent of its population. With the proliferation of unplanned urban growth and insufficient and inadequate housing, any development effort (be it public or private) requires expropriation of land leading to the likelihood of displacement and relocation of some households. The Government is also concerned about the potential negative consequences of economic and population concentration in one city, which can lead to economic weaknesses in other regions, regional social imbalances across the country, congestion and pollution. In response, the EDPRS I and II (2013-2018), have shifted the focus towards promotion of urban and settlement development growth in the secondary cities that is socially inclusive, environmentally sustainable and economically viable to create green and secure integrated cities.

111. **Demographics.** The secondary cities and the CoK are generally characterized, like elsewhere in Rwanda, by high population densities owing to the limited land and high population numbers and population growth rates put at 2.6 percent as per the 2012 Census. In most places, the ratio of females to males is skewed toward women except for the CoK in the Nyarugenge District where the number of males (54 percent) is higher than females (46 percent) – a ratio in line with that of the CoK established at 106:100 (males to females) as per national census of 2012. Table 3.10 below provides demographic data on the project cities as per Census data of 2012.

**Table 3.10. Demographic Data on Project Cities**

	<b>Population</b>	<b>Households</b>	<b>Sectors</b>	<b>Cells</b>	<b>Villages</b>
Upgrading area of CoK (Rwampara, Kiyovu, Biryogo and Agatare)	18,914	3,977	4	4	19
Huye	49,815	10,856	4	11	68
Muhanga	58,032	11,601	4	9	41
Nyagatare	20,577	4,976	5	11	27
Rusizi	55,768	10,411	3	13	78
Rubavu	110,161	23,032	4	21	135
Musanze	99,837	20,260	7	21	91

Source: Rwanda National Census Data 2012

112. **Poverty Incidence.** Although the GoR has made remarkable progress in reducing poverty, poverty incidence in the country and in all the project areas remains high. Table 3.11 below provides poverty incidence rates drawing on National Institute of Statistics of Rwanda’s (NISR) Integrated Household Living Conditions Survey (EICV) for 2013/14.

**Table 3.11. Poverty Incidence Rates**

	<b>Poverty Incidence (%)</b>	<b>Extreme Poverty (%)</b>
Nyarugenge	10	4
Huye	47	25
Muhanga	54	26
Nyagatare	37	19
Rusizi	45	20
Rubavu	36	13
Musanze	20	6

Source: EICV 2013/2014, NISR

113. **Poverty analysis.** Districts show a very large variation in levels of poverty across Rwanda. In 2005/06, poverty ranged from 10 percent in the least poor district to 85 percent in the poorest; in 2010/11 it ranged from 8.3 percent to 73 percent. Urban poverty decreased from 28.5 percent in 2005/2006 to 22.1 percent in 2010/2011. Comparing levels of poverty by province, it is highest in all three rounds of EIVC in the Southern Province and lowest by far in Kigali City. It is important to note that a district's record on poverty reduction is not just a consequence of policies implemented by district authorities. Some of the districts where poverty fell more had advantages in terms of better access to infrastructure, were more urbanized, were closer to borders, or had better fortune in terms of climatic conditions in the period under study.

114. **Livelihood options.** The implementation of the RUDP in the selected cities is expected to add to livelihood options for city dwellers in terms of the jobs created during the construction phase and also the opportunities that will be created by the increased city accessibility and connectivity, and linking of settlements to the Central Business District (CDB) and markets. According to the Rwanda Establishment Census 2014, there were about 40,000 formally employed urban workers in the six secondary cities in 2014. Rubavu City has over 10,000 workers, Musanze 85,000, Huye 8,000, Muhanga 5,000, Rusizi 6,000, and Nyagatare 4,000 workers. More than 80 percent of jobs in the secondary cities were in 4 activities which include whole sale and retail (trade and repair of motor vehicles) 50 percent, accommodation and food services, manufacturing and other services. The percentage of formal businesses in six secondary cities are as follows, Muhanga 5.2 percent, Musanze 5.3 percent, Nyagatare 5.4 percent, Rubavu 6.3 percent, Rusizi 6.6 percent, Huye 8.8 percent, Nyarugenge 20.4 percent. Ninety three percent of businesses are informal. There are over 13,000 businesses in the six secondary cities (9 percent of total country wide businesses). The vast majority are micro-sized (1-3 employees) and informal (not registered). Among the six secondary cities, there is a mixed performance on creation of new businesses (district level). Huye, Nyagatare and Muhanga are above average while Musanze is stagnant. Rusizi City is vibrant, largely dependent on primary agricultural trade activity across the border to DRC.

115. **The Project.** The RUDP concerns the six secondary cities of Muhanga, Huye, Musanze, Rubavu, Rusizi and Nyagatare, and the 4 cells of Nyarugenge District in the CoK and includes construction and rehabilitation of selected priority infrastructure. Almost all investments in the first phase of the project (which are mainly roads and drains) are planned for rehabilitation. The Social Assessment revealed that the project (especially Phase 1) will not cause significant negative impacts to the communities. Communities appear to be satisfied with the project and attach a lot of importance to it. The specific instruments prepared in order to analyze and mitigate potential environmental and social risks are an ESMF and an RPF. Most of the possible environmental and

social impacts during construction will be mitigated using ESMP. To mitigate against economic and physical displacement, the project has prepared two RAPs: for the upgrading activities in the Nyarugenge District of CoK, and for a road in Musanze.

116. **Social Assessment.** As part of the preparation process, a Social Assessment (SA) was undertaken to provide an accurate representation of the social, cultural and economic conditions of the population surrounding the proposed infrastructure investments. The SA identified

- a) potential positive and negative socio-economic impacts of the construction, operations and decommissioning and closure phases of the proposed project
- b) opportunities and constraints for women and men that the project is likely to affect
- c) mitigation measures to enhance positive impacts and reduce or avoid negative impacts
- d) management and monitoring measures to be implemented throughout the life of the project.

The SA was based on extensive consultations with local stakeholders and established baseline information on the socio-economic situation of communities in the project area as well as physical and cultural resources. In addition, the SA assessed the institutional capacity of the RUDP implementing agencies to manage and monitor safeguard issues.

117. **Citizen Engagement.** The identification and prioritization of the first phase investments was undertaken through a robust citizen engagement process in all six secondary cities and the CoK.<sup>25</sup> Consultation workshops were led and managed by the District governments (and observed by the Bank team) comprising male and female residents of the project affected neighborhoods, cell and sector leaders, district leaders and their technical staff, opinion leaders, local experts, CBO/CSO/NGO representatives, as well as those from the Central Government. Consultants responsible for the FS and the SA were also present in order to provide technical input. The workshops provided briefings about RUDP and sought the prioritization and selection of the subprojects for the first phase. The engagement workshops were carried out between September and November 2015 with technical support from the SA consultants, assisted by field facilitators in each of the seven cities. The District RUDP focal persons from the One Stop Centers and the Feasibility Consultants provided technical guidance that contributed to the decision making in the prioritization process. The consultation with citizens in each city was meaningful and resulted in identifying the priority list of investments for the first phase. For example, in Nyagatare, the women in the community prevailed in including a road that leads to the hospital (maternity ward). Likewise in Rusizi, the women traders prioritized the rehabilitation of a road that would considerably cut the distance from the DRC border to the market. Beneficiary citizens across the RUDP cities identified the following benefits: i) improved town connectivity and accessibility; ii) improved health; iii) social cohesion and engagement; and iv) increased economic opportunities. The first phase investments were deliberately prioritized to cause minimal expropriation of land and displacement. Nyagatare, Rusizi, Rubavu, and Muhanga were able to completely avoid expropriation in the first phase, while the cities of Musanze and the Nyarugenge District of the CoK managed to significantly limit the need for expropriation. Comparatively, Nyarugenge District of the CoK is expected to have much more resettlement compared to Musanze. The ESMF includes

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<sup>25</sup> A separate report on Citizen Engagement has been prepared and is found in the project files.

a beneficiary feedback mechanism focusing on planning, budgeting and implementation of subprojects. The engagement with the community will continue throughout the construction phase. Since resettlement planning implies critical decisions regarding the future of the displaced groups, LODA along with the district staff will remain engaged with the communities in the implementation of the RAPs. This will improve the understanding of community needs, help reduce the stress associated with resettlement, and accelerate the subsequent transition to and integration within the new settlements. Similarly, on matters of health and safety of the community during the construction phase, LODA in collaboration with district teams and MICST will engage with the affected community to disseminate the ESMP and thereby prevent accidents.

118. **Anticipated positive impacts.** RUDP is expected to benefit communities in six secondary cities and Nyarugenge District of the CoK. The physical investments will address some of the critical challenges in regard to road accessibility, town connectivity and drainage in the project areas and control of flooding. This in turn is expected to stimulate local economic activities, improve physical infrastructure services such as garbage collection, protection of individual and community socioeconomic facilities, and enhance social cohesion and development. The RUDP roads and drainage subprojects will be rehabilitated by expanding and upgrading the currently un-navigable dirt roads to asphalt allowing for vehicular access to places that are currently not accessible; expanding roadside drains and stabilizing primary drains to allow for environmentally safe draining of wastewater and storm water away from settlements, commercial centers and social facilities; and improve the linking of settlements (primarily residential areas but also schools and other social service facilities) to central business areas and between settlements.

119. The proposed subprojects in six secondary cities and Nyarugenge area in the CoK will significantly improve infrastructure services and stimulate local economic growth. Some of the key challenges communities in each of the project cities face include long distances between settlements and services due to the poor condition of existing roads; dangerous gullies and gorges left impassable by storm water and seasonal volcanic rivers that physically divide settlements and make access to commercial areas and services burdensome; and the poor condition of drains posing a danger to the health and safety of citizens. The RUDP is expected to provide good quality roads that will improve connectivity within the cities and drains that will protect those living in flood prone areas.

120. All the proposed subprojects under the RUDP involve rehabilitation and upgrading of already existing infrastructure, removing any risk to physical cultural sites, natural habitats, forests, ecologically sensitive areas, and other socially important facilities and sites such as health centers, graveyards or community centers. The short and relatively restricted nature of the proposed infrastructure works across seven cities will be largely labor-intensive with limited use of light or small machinery. As such, RUDP is expected to provide temporary employment to the local population but this requires the deliberate efforts of implementing agencies to ensure contractors hire from attendant communities with special provisions for vulnerable groups, including women headed households, who are able to do the manual work. The RUDP is projected to provide between 3,000 and 10,000 manual jobs over the two years of implementation of the first phase, and nearly double the number in the second phase of implementation.

121. In the border towns of Rusizi and Rubavu, completion of the proposed roads and drainage structures will significantly benefit the 25,000 to 40,000 small-scale traders – most of whom are

women and youth – who travel long distances on foot between Rwanda and the DRC carrying their wares on their heads. In both cities, the proposed roads will reduce travel time by more than 50 percent. In all six secondary cities and the CoK, the RUDP will enhance connectivity, linking communities to commercial centers, markets, and social and public service centers, contributing to improvement in their general wellbeing. It is also envisaged that increased connectivity within the cities will stimulate local economic development through increased trade, movement of merchandise, increase in local and international tourism and service delivery.

122. **Anticipated negative impacts.** While generally the project’s impacts are positive and beneficial to the communities, the physical works will lead to expropriation of land of some businesses, services and residences. The social assessment of the project sites indicates that implementation of RUDP subprojects in Musanze City will partially affect around 24 households and result in the relocation of 2 kiosks. In the CoK 34 households will need to be relocated, while 255 will be partially impacted. To mitigate against the risks of relocation and partial acquisition of land, the project has prepared two abbreviated resettlement action plans (ARAPs) for cities of Musanze and Nyarugenge Area in the CoK. Determined effort has been made especially by the CoK, to limit land acquisition and to avoid displacement of homes, services and businesses. To this effect, consultants have been directed to prepare designs for the respective subprojects that minimize acquisition of land and the displacement of people and their property.

123. Given that the RUDP subprojects are generally small in terms of the dimensions of the roads and drainage structures, works will mostly require manual labor which districts will ensure is reflected in the contracts. Since the majority of the households depend on family labor, it is critical to ensure that children are not providing manual labor for the construction and rehabilitation works. There is a risk that once manual labor is chosen as a key means for construction, this may actually encourage an increase in child labor practices due to lower wages of younger workers. The Rwandan Law and World Bank Operation Policies prohibit children from engaging in provision of paid labor, and all contracts for the works and management of the implementation of the different subprojects must ensure that child labor is not sourced during any stage of project implementation.

124. The health and safety concerns during the construction phase of the subprojects will be mitigated in accordance with the ESMF. The ESMF provides guidelines on the mitigation of possible negative impacts and actions that need to be undertaken to minimize environmental, health and safety impacts. Similarly, the ESMF includes procedures and measures for chance finds, to be undertaken in the event that culturally significant materials are discovered during project implementation. Other issues that were identified and provisioned for in the ESMF are noise and dust pollution, access restriction to services and developments, population influx as well as increase in traffic and safety hazards.

125. During the implementation of the RUDP any resultant environmental degradation is likely to hit hardest those that are already disadvantaged. Socioeconomically, vulnerable social groups are usually found occupying marginal lands such as the low lying lands and those close to wastelands. These wastelands and lowlands also coincidentally serve as areas for drains and outlets for the wastewater and storm water, and are characterized by frequent flooding and or droughts. Such areas will also likely be the most directly affected during the construction and rehabilitation of the proposed drainage infrastructure and will also be used for dumping of rubble and other

wastes from the construction and rehabilitation – all of which will most likely impact the vulnerable social groups the most. The technical design of the proposed works includes provisions for reducing the direct impacts on such vulnerable communities. In addition, the project has prepared an ESMF to guide the preparation of the ESMPs for each city for the mitigation of adverse impacts. To mitigate soil erosion problems downstream and to protect against accidents involving children, flow dissipation structures are recommended for inclusion in the preliminary and detailed designs for all outfalls that discharge into the wetlands. The project intervention will not increase the flooding incidence rate on the people residing in and around the wetland.

126. **Instruments for Mitigating Safeguards risk.** The specific instruments proposed for mitigating potential environmental and social risks are an ESMF and RPF. The RPF will mainly guide the second phase investments in the preparation of RAPs, if need be. EIA/EMPs for each city as per the ESMF will be prepared and used to mitigate possible negative environmental and social impacts during construction of the civil works and as such will be included in the contractual agreement of civil works contracts.

127. **Involuntary Resettlement (OP/BP 4.12).** The first phase investments of rehabilitation and upgrading of urban roads and drains will partially impact 24 households and result in the relocation of 2 kiosks in Musanze, while in the CoK 34 households will be relocated and 255 will be partially impacted. In response, the Government has prepared ARAPs for each of the cities.

128. **Grievance Redress Mechanism (GRM).** The Resettlement Policy Framework (RPF) and the Environmental and Social Management Framework (ESMF) include provisions for a GRM. Any emerging issues that may arise with the planning, preparation and implementation of the proposed subprojects under the RUDP will be addressed using existing government systems that are fully operational at the district level. Ministerial Order No. 002/2008 provides for dispute resolution procedures and makes provisions related to the Cell Adjudication Committee (CAC). Articles 17, 20, 22, and 23 provide the process for resolving disputes. In addition, the newly approved Expropriation Law Articles 33 and 34 stipulate the process and procedures for complaints for persons dissatisfied with the value of their compensation. The Law stipulates that the dissatisfied person has a period of 30 days after the project approval decision has been taken to appeal (Article 19). The first step of redress is to inform those to be expropriated of their rights during the expropriation process. Articles 17-20 of the Expropriation Law oblige the representative government authority (that which is implementing the project requiring expropriation) to inform affected people of their rights at each stage of the process. The districts with support from MICST will be responsible for ensuring that communities are fully familiar with the GRM process which is intended to provide an effective avenue for expressing concerns and achieving remedies for communities, promote a mutually constructive relationship between the project and the community and prevent and address any community wide concerns. The PIM provides further details on the GRM process.

129. **Borrower capacity.** For successful implementation of the proposed RUDP subprojects, there is a need for strong institutions at the community level to instill trust, ensure equitable access to benefits of the proposed subprojects, and avoid the exclusion of the different sections of the local populations. Lower-level government institutions are the most directly involved in community development. The RUDP has provisions for capacity building both for Central and Local Government agencies involved with management and implementation of the RUDP. The

LODA SPIU, will include a Social Safeguards specialist and an Environmental specialist who will also be supported by MICST as needed. The Districts and the CoK have already appointed an Environmental Officer and a Social specialist to work on the RUDP. Likewise, MININFRA has also appointed a social and environmental specialist who will also be overseeing safeguards aspects.

130. It is clear that the capacity in both environmental and social safeguards management requires strengthening. It is expected that during the implementation phase, resources would be allocated to enhancing the capacities of the SPIU and LODA to manage environmental and social safeguards, including issues of gender, participation, engagement, inclusion, grievances and elite capture. While the Districts and the CoK have some experience working with large projects, especially roads, this will be the first World Bank funded project to be implemented by Districts. Thus, districts will need support to augment their safeguards management and oversight capacity. Among other responsibilities, the environmental and social staff at the local level will be responsible for ensuring compliance with the ESMF and RPF and monitoring of relevant ESMP, RAPs and the GRM. The local level staff will also contribute on a regular basis to project progress reports.

131. **Stakeholder consultation and disclosure.** The key stakeholders are MININFRA, MINECOFIN, LODA and RHA, implementing agencies which include the Districts of the six secondary cities and Nyarugenge District of the CoK as well as RUDP affected communities. All reports prepared for the project preparation have included exhaustive consultation with the stakeholders noted above. The inputs from the SA and citizen engagement have been reflected in the design of the RUDP. The inputs from the stakeholder consultations for the ESMF, RPF, ESMP and RAPs and for the SA have contributed to the identification of the potential adverse environmental and social impacts of the RUDP, the refinement of the ESMF screening criteria, and the identification of mitigation measures in the ESMF, RPF, ESMP and RAPs. Similarly, the consultation process identified the need to strengthen capacity to address safeguard issues including M&E, which has been reflected in RUDP design. The ESMF, RPF, RAPs and EIA have been disclosed locally and on MININFRA's website prior to appraisal (January 12, 2016) with the updated EIA re-disclosed on January 25, 2016. In addition, all safeguards documents have been disclosed at the World Bank's InfoShop. The ARAPs have also been disclosed in their respective districts (Musanze and CoK) for use and reference by the public. Public disclosures at the grassroots level in the form of workshops will be done as part of the awareness raising and training, to prepare the communities for project implementation.

132. **Environmental Safeguard Risks.** Given the scale of the potential impacts, the project is assigned Environmental Assessment Category B. Potential negative environmental impacts are localized and manageable and will mainly be caused by rehabilitation and/or construction works in target project areas. These potential negative impacts can be mitigated by good construction and general housekeeping practices. The project triggers OP 4.01 - Environmental Assessment, OP 4.04 - Natural Habitats, OP 4.11 - Physical Cultural Resources, and OP 4.12 - Involuntary Resettlement. The project did not identify all of its proposed investments during preparation. However, the first set of activities has been designed and includes tertiary road and drainage maintenance and construction in the six secondary cities and in Kigali. OP 4.04 is applicable to the project, as several of the secondary cities are located in proximity to lakes, rivers and wetlands, which may require specific design and/or mitigation measures to avoid or minimize negative

impacts on these habitats. However, the project sites will not be located near protected areas or parks. The project also triggers OP 4.11 on PCR as some of the project investments will involve significant civil works, thus needing a procedure to manage chance finds. The preparation screening confirmed that there are no known PCRs at the potential project sites in the six secondary cities and COK.

133. The key environmental safeguard risks associated with the project include (i) inadequate implementation of environmental management plans recommended as part of the sub-project environmental assessments; (ii) safety and construction site management issues during the implementation of sub-projects; and (iii) lack of environmental safeguard management capacity in the implementing agency. To address these issues, the project incorporates: (i) appointment of dedicated environmental specialists with the implementing agencies (new or existing staff); (ii) incorporation of environmental management plans in bid documents; (iii) training and capacity building activities for implementing agencies; and (iv) regular supervision by the experienced safeguards team of SPIU and reporting on the implementation of environmental safeguards.

134. **Environment and Social Management Framework (ESMF).** A project specific ESMF for RUDP has been prepared and approved for RUDP team to screen, appraise and supervise sub-projects. The ESMF has provisions to avoid or mitigate adverse environmental and social impacts, as well as the selection of sites for new facilities for sub-projects and also a provision for an independent annual Environment and Social Audits. The SPIU will be responsible for appraisal and financing of sub-projects and monitoring compliance with ESMF. The implementing agencies at the district level, will be responsible for implementation of sub-projects and related safeguards. The ESMF will be applicable to all sub-projects financed under the RUDP project and will also be applicable to all supporting studies to be financed under the project. The ESMF has been cleared by the Bank and Rwanda Environmental Management Authority and disclosed in on MININFRA website and the World Bank InfoShop on 12<sup>th</sup> of January, 2016. The project may have indirect impacts on natural resources as some of the project activities (will be implemented in proximity to wetlands. The ESMF includes provisions to ensure the project design avoids negative impacts on protected areas and overall minimizes negative impacts on wetlands and other natural habitats.

135. The project activities will include excavations and earth moving, therefore the policy on Physical Cultural Resources OP 4.11 is triggered in a precautionary manner, although there are no known cultural resources located in the project areas, according to safeguards screening. The ESMF includes a set of chance find procedures, which will also be incorporated into the bidding documents and EMPs.

136. **Environmental Impact Assessment (EIA).** For the initial set of sub-projects, the SPIU developed an EIA that covers road and drainage investments in the six secondary cities and in Kigali. Each city is targeted to receive approximately US\$ 4 million to complete these activities. The feasibility study and design consultants worked closely together with the SPIU safeguards specialists and consultants to ensure the sub-projects minimize potential environmental and social impacts, while maximizing the potential benefits of these projects. The EIA was consulted upon, and publicly disclosed in Rwanda and in the World Bank InfoShop prior to project appraisal on January 12, 2016 (updated EIA has been re-disclosed on January 28, 2016).

137. **Other safeguards policies.** The project preparation process considered the effect of the proposed activities in Rubavu on Lake Kivu, an international waterway. After a careful review it was concluded that the drainage improvements proposed for Rubavu in no way add to the pollutant levels entering Lake Kivu. Similarly to many urban water management systems around the world, which do not have separate wastewater collection and treatment plants, grey water is a part of the drainage networks. During dry seasons, grey water makes up nearly the entire flow of drainage networks. This is what is termed a combined drainage/sewer network, given that not all households have properly designed septic tanks and absorption fields and that many houses discharge kitchen and shower wastes directly to the drainage networks. Rubavu drainage network is facing the same realities.

138. The grey water currently being discharged from Rubavu households finds its way to Lake Kivu. The proposed drainage improvements are targeting the reduction of flooding during heavy rainfall events. The project is not financing water supply interventions and is, therefore, not contributing to increased levels of the greywater currently entering Lake Kivu.

### *Monitoring & Evaluation*

139. LODA and the districts will be responsible for M&E of the project. M&E requirements will build on the existing M&E Manual of LODA to the largest extent possible. LODA will be responsible for regular data collection from the districts and CoK to allow for semi-annual reporting to the Bank on the progress to meet targets for key project indicators. The districts, with support from the MICST, will be responsible for reporting on results and progress on their respective subprojects (both infrastructure and capacity building components) to LODA on a quarterly basis. The baseline conditions have been established through the feasibility study undertaken during project preparation and will be followed up with beneficiary surveys and other assessments at the midterm review and at project closing to evaluate qualitative and quantitative aspects of the project results. In addition, technical and value for money audits will be carried out periodically to verify quality of infrastructure works. The information and knowledge generated will be shared widely among project stakeholders at all levels. Specific formats and guidelines for reporting will be detailed in the Project Implementation Manual. During 2016, LODA intends to transition to an online reporting system, and it is expected that this will also help the project in securing timely and detailed reporting.

### *Role of Partners*

140. Few development partners are supporting the urban sector and the Bank, as co-Chair of the Urban Sector Working Group has the convening power to bring others on board and mobilize much needed financing for the sector. Among the partners in the urban sector, UN Habitat is advising on urban planning and development of national urban policy as well as supporting Government in updating urban planning documents, and designing a Spatial Development Framework. GGGI is advising on green urban growth by developing a National Roadmap.

141. On LED, the Belgian Technical Cooperation is providing support to LODA to help them formulate and implement LED strategies at national and local levels, with its direct support primarily focused on the private sector. The project complements these effort by focusing on strengthening the capacity of districts to engage with the private sector.

142. On decentralization and PFM, GIZ plays a leading role, focusing on reforms and systems improvements of the national level. Other development partners, including the Bank are also focused on national systems. Hence, the targeted support provided under this project complements existing efforts and enhances the opportunity for cities to spearhead implementation of new tools and processes.

143. The implementation of the project will take into account lessons learned coming from the TA work provided by other partners in the urban sector, including the green growth national roadmap and lessons emanating from the findings of technical assistance work undertaken by UN Habitat on developing a spatial development framework for Rwanda.

## **Annex 4: Implementation Support Plan**

### **RWANDA: Urban Development Project**

1. This project marks the beginning of a new lending engagement for the World Bank in Rwanda in the urban sector, and there has been considerable change in the institutional environment since the closing of the last project. The project is aiming to use the existing decentralized framework and make use of Government systems as the guiding principle for management and implementation. The implementation support plan (ISP) for this project is therefore designed to ensure that the initial setup and startup of the project is assured, including addressing technical challenges related to capacity constraints of implementing entities that may not have substantial experience with Bank projects, as well as to ensure strong momentum in the first 12 months of the project.

2. The ISP aims to focus implementation support in the areas where the implementing agencies need to be strengthened further, in particular in crosscutting areas regarding WB rules and regulations, e.g. in procurement, safeguards and financial management.

#### **Implementation Support Plan**

3. The ISP is built around semiannual missions (which will include site visits to the project cities), monthly video conference meetings between the Bank team and government, and fiduciary compliance reviews. An MTR will be conducted after approximately 30 months of implementation to review performance in depth, based on progress and studies commissioned for the MTR, and make any adjustments to the project.

4. The project will require extensive support in the startup and early phases. This need is expected to reduce as the processes and management of the sub projects and the core activities under Component 3 take off. At mid-term, a new phase of implementation support is envisaged to ensure that any necessary adjustments are made.

5. It is projected that a total of 14 implementation support missions will be required over the life of the project. Beyond the startup phase, these are intended to be required semi-annual. Key areas of focus for the first months of supervision include:

- Monitoring the procurement of key support components of the project, including the MICST and the TA support provided under Component 3
- Supporting Government in carrying out training for district staff and SPIU staff in World Bank procedures and policies
- Supporting LODA and the districts in initiating the first steps towards identification of Phase 2 investments
- Monitoring application of safeguards instruments through including safeguards specialists in semiannual missions. These specialists will also assure knowledge transfer and development of adequate training programs for staff at LODA and the

cities. Additionally, district authorities will play a key role in supervising project activities.

- Support to developing and regular monitoring of a communication strategy.
- Fiduciary missions will focus on the performance of districts in managing contracts, procurement, and financial matters, as well as on completing the agreed implementation plans.

6. The following skills mix and resources needs are estimated:

**Table 4.1. Main Focus in Terms of Support to Implementation**

Time	Focus	Skills Needed	Resource Estimate (US\$)
First twelve months	Start-up phase, Contracting, start Phase 1 works, Start capacity building activities	Engineering, urban planning, procurement, FM, safeguards, M&E, communication	150,000
Until MTR (yr. 2–3)	Works supervision, technical design studies and start of construction of urban investments, capacity building, review of studies	Engineering, urban planning, procurement, FM	100,000/yr 200,000 total
MTR (yr. 3)	MTR	Engineering, urban planning, procurement, FM, social development, M&E, economic analysis	150,000
Following MTR (yr. 4–5)	Continued works implementation, implementation of study recommendations, capacity building	Engineering, urban planning, procurement, FM, social development, economic analysis	100,000/yr 200,000 total
Total (5 years)			700,000

**Table 4.2. Skills Mix Required**

Skills Needed	Number of Staff Weeks (for duration of project)	Number of Trips	Comments
TTL	60	10	Ongoing implementation support to the client, twice yearly implementation support missions
Co-TTL, Urban development	60	10	Ongoing implementation support to the client, twice yearly implementation support missions
Procurement	50	Country office based	Twice-yearly missions, routine support as needed
Financial management	50	Country office based	Twice-yearly missions, routine support as needed
Engineers	50	10	Ongoing implementation support to the client, twice yearly implementation support missions and routine support as needed
Local Economic Development Specialist	30	10	Implementation support missions at least twice a year

<b>Skills Needed</b>	<b>Number of Staff Weeks (for duration of project)</b>	<b>Number of Trips</b>	<b>Comments</b>
GIS Specialist	30	10	Implementation support missions at least twice a year
Program Assistant	60	Country office based	Ongoing team support
Environmental safeguards	40	10	Implementation support missions at least twice a year
Social safeguards	40	10	Implementation support missions at least twice a year
Legal	1	0	Staff weeks for any restructuring
Disbursement	1	0	
Total	472		

## Annex 5: Economic Analysis

### RWANDA: Urban Development Project

1. **Introduction.** This annex provides a cost-benefit analysis associated with RUDP. The project development objective is to provide access to basic infrastructure and enhance urban management in selected urban centers. The development of cities in Rwanda is very recent, and the rate of urbanization stands at about 16%. Although this rate is among the lowest in the world, the annual growth rate of the urban population of 4.1% far exceeds the worldwide average of 1.8%.<sup>26</sup> Almost half of the urban dwellers are concentrated in the City of Kigali, with about one million inhabitants. With this pace of urbanization, managing the process and investing in key public infrastructure is critical to enhancing the competitiveness, livability and productivity of secondary cities in Rwanda. The proposed project is one of several other interventions that the GoR is undertaking to ensure that challenges of rapid urbanization are addressed. The analysis demonstrates that it is economically viable to support infrastructure enhancements in the six secondary cities, namely Huye, Rubavu, Musanze, Nyagatare, Rusizi and Muhanga as well as upgrading efforts in Nyarugenge District of the City of Kigali.

2. **Projects Investments and Expected Benefits.** The main investments under the proposed project to support this process are: (i) improving basic urban infrastructure and services in the six secondary cities, namely Huye, Rubavu, Musanze, Nyagatare, Rusizi and Muhanga; (ii) modeling inclusive urbanization in Nyarugenge District of Kigali; and (iii) technical support and capacity building to the six partner districts. The expected benefits closely linked to these proposed investments include (i) improving connectivity within and between the six participating districts; (ii) improved drainage systems; (iii) supporting creation of more off-farm jobs; (iv) enhanced efficiency gains due to improved institutional support for urban management; (v) enhanced living conditions for residents, for example, through upgrading the unplanned settlements in Nyarugenge District in the City of Kigali and (vi) potential health benefits due to reduction in the incidence of diseases brought by improvements in better drainage systems. Thus, the proposed investments under the project will contribute toward achieving the twin goals of reducing extreme poverty and shared prosperity if the associated project risks are mitigated.

3. **Rationale for public provision and the Bank's value added.** RUDP supports locally chosen physical investments at the districts in line with the Urbanization and Rural Settlement Sector Strategic Plan (2012 – 2017). Without public sector support, key urban infrastructure in the secondary cities would continue to deteriorate, and in turn, competitiveness, livability and productivity of these cities will be adversely affected. The opportunity cost of not undertaking this project thus is too high. With the proposed project, the situation is set to change. In financing this operation, the Bank is adding value by providing technical expertise in key focus areas of the operation and filling the financing gap in the urban sector. The project will directly benefit a total of approximately 4000 households or around 20,000 people<sup>27</sup> in the 6 secondary cities and around 260 households in the CoK upgrading area<sup>28</sup>. An estimated 21,000<sup>29</sup> persons will indirectly benefit from the project. In addition, due to the nature of the investments provided (roads and drainages),

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<sup>26</sup> Urbanization and Rural Settlement Sector Strategic Plan (2012 – 2017)

<sup>27</sup> RUDP Feasibility Studies by Voyant

<sup>28</sup> Detailed study of Nyarugenge Unplanned Settlement Upgrading project

<sup>29</sup> RUDP Feasibility Studies by Voyant

it is estimated that the entire population, approximately 500,000 people, of the secondary cities will benefit from the investments. The key results areas for the project are: (i) Number of people in urban areas provided with access to all-season roads within a 500 meter range under the project; (ii) Land area provided with drainage services; and (iii) Increased share of maintenance expenditures of district budget.

4. **Cost and Benefits Data and Assumptions.** To establish the development impact of the proposed operation, a data gathering process was undertaken by the consultants who collected data on expected project benefits on all sub-projects under the proposed operation. The data was gathered through primary and secondary sources and validated through discussions held at the district level. These data was used to generate the expected stream of project benefits and costs that link the project inputs, outputs and expected outcomes. Careful consideration and effort was taken into account to establish and quantify expected project benefits, where possible, and in some cases, the analysis provides a qualitative description of the non-quantifiable benefits. The main outcomes considered under the project are: a) time savings due to improved roads' conditions in secondary cities; b) improved rental values of properties adjacent to the improved infrastructure; c) benefits due to improved drainage; and d) benefits due to upgrading improvements in informal/unplanned settlements. Cost data include the estimated initial capital investment costs and regular and periodic operation and maintenance costs.

5. Table 5.4 below shows the district-wise description of the expected costs and benefits of the various sub-projects envisaged under the project. A major caveat of this analysis is the inability to quantify some aspects of costs and benefits, such as the health benefits associated with improved storm-water drainage systems. The team was also unable to quantify the expected potential benefits for improved cross-border trade due to improvements in road connectivity across the border districts, especially with DRC and Uganda borders. There was also no effort to establish the likely number of jobs to be established directly or indirectly as a result of the project; although, it was noted that road construction will significantly benefit the local communities, especially through demand for cheap labor and raw materials.

6. The analysis is based on the following assumptions:

- (a) Time savings associated with reduction in travel time—computed for each of the road subprojects associated with the project;
- (b) Estimated number of houses severely affected by poor drainage in each of the six districts; costs incurred due to flooding for repairs and maintenance;
- (c) Routine operation and maintenance cost incurred by each of the six districts to maintain roads and drainage infrastructure;
- (d) Current property rental value in each of the project areas; comparable rental values in neighborhoods where similar subprojects have recently been undertaken—used as a basis for establishing the likely increased value of rental properties due to the project intervention. The established estimates are expected to be validated during data collection for the results framework during the course of project implementation;

- (e) Establishment of the average ongoing wages for both formal and informal workers in each of the districts—used in the computation of the potential time savings;
- (f) Estimated number of project beneficiaries commuting every day.
- (g) No consideration is undertaken to correct for other market distortions.
- (h) Average Gross Domestic Product (GDP) of 6.9 percent is assumed, which is the simple average of GDP growth rates for the period 2005--2013.
- (i) Inflation rate of 7.6 percent is assumed, which is the simple average of the annual inflation rates for the period 2005—2015.
- (j) Assumed average population growth rates: Agatare—4.1 percent; Rubavu—5.4 percent; Rusizi—2.4 percent; Nyagatare—9 percent; Musanze—3.5 percent; Muhanga—2.6 percent; and Huye—1.9 percent.
- (k) Assumed exchange rate of 1US\$= RWF 710.
- (l) A discount rate of 5 percent is applied in the computation of the expected internal rate of return on project investments.
- (m) We assume that the useful life of the subprojects is 20 years before major repairs/fixes are undertaken. Every after 5 years, districts will incur costs for periodic maintenance.
- (n) Assume most of the capital costs for the roads and drainages will be incurred in the second year of the project and that benefits will begin trickling in from the end of second year.
- (o) The analysis assumes one subproject where a road is to be constructed together with the associated drainage (s)—for such subprojects one combined benefit is computed for both roads and drainage. If a separate drainage is to be constructed without a road, that is also considered a separate subproject with distinct benefits associated with improvement of the drainage. With this assumption, the following subprojects were used for purposes of this analysis: 1). Rubavu--cross drainages D1, D2, D3, D4, D5 are in same buffer of Road R7 & R8 2) Road R2, R3 & R20 are in one buffer; 2) Rusizi—all selected roads in Rusizi are in one buffer; 3) Nyagatare—cross drainages D4, D5, D6 and D20 are in the same buffer of Road R1, R2 and R2B; 4) Musanze-- Road R49 & Drain D1 in same buffer. Road R24, R33A, R42 and Drain 2 are in the same buffer; 5) Muhanga—All drainage D1 to D6 are in one buffer and not linked to any proposed roads

7. **Nyarugenge City of Kigali Upgrading Area.** Residents of the four cells in Nyarugenge district (Rwampara, Kiyovu, Biryogo and Agatare) currently suffer from severe storm water drainage problems and limited connectivity largely due to the hilly terrain in the area. Table 5.1 below shows that two hundred eighty nine have been identified as likely to be affected by subproject investments and already compensation has been made to all property owners in the project area. The project will contribute to upgrading unplanned settlements in Nyarugenge area

of CoK. Upgrading will be supported through investment subprojects such as streetlights, drainage, footpaths and roads. As a result of these subproject investments, better drains and roads will improve the connectivity and livability of the area.

**Table 5.1. Estimated Properties Affected by Upgrading Area**

Type of subprojects	Number of partially affected	Number of Entirely Affected	Total of affected property
Drainage, footpath and roads	255	34	289

*Source: Data provided by city of Kigali*

8. **Benefits due to street lighting within the upgrading area.** The project will install street lighting along selected streets/roads to be improved under the upgrading component. Street lighting will increase the use of public spaces after dark in the upgrading area, enhance security and public safety, increased value of properties, and improved economic activity of the informal sector, which may increase hours of operations to advantage of street lights established under the project. The following assumptions were used to arrive at the estimated benefits due to establishment of street lights:

- (a) 60 percent of settlements in Nyarugenge district are informal. Most of the business establishments in these areas fall under the informal sector category. Examples of such establishments include; bars, water kiosks, hair salons, tailors, motor cycle repair shops, food sellers, fruit and vegetable sellers, shoe repair, and retail shops.
- (b) Typically such informal sector establishments commence operations early in the morning—around 7 am or 8 am and stay open until 6 or 7 pm daily. We assumed that such establishments are open for business on average 8.5 hours every day. We assumed that the establishments operate 22 days a month—excluding Saturdays and Sundays.
- (c) Based on a sample of respondents, it is assumed that each establishment will increase business operating hours by 2.5 hours on average.
- (d) Rental cost. Without street lights, rents are assumed to be RWF 30,000 per month. Rental costs are included in the computation because once street lights are provided, business establishments are likely to witness an increase in sales volumes and increase in the rental cost.
- (e) Average income per day for informal sector is RWF 6,643; average sales per day without street lights was RWF 33,286; estimated sales due to street lighting was RWF 42,065.
- (f) With an estimated population of 19000 living in the 4 cells of Nyarugenge district where the upgrading is taking place, the expected benefits due to street lighting are conservatively estimated around US\$ 563,926.

9. On the basis of all the above assumptions, Table Table 5.2 below shows the expected benefits in US\$per annum due to (i) time savings resulting from reduced travel time; (ii) savings

on routine O&M costs; (iii) expected increase in rental value of properties following enhanced road conditions; (iv) benefits due to improved drainage system; and (v) benefits due to street lighting in the CoK upgrading area.

**Table 5.2. Estimated benefits from proposed subprojects, in US\$, per Annum**

Benefits/City	Huye	Rubavu	Muhanga	Musanze	Nyagatare	Rusizi	Nyarugenge
Benefits due to reduction in travel time	396,373	899,183	264,163	423,740	189,432	582,184	242,999
Savings in Routine O&M	2,752	2,446	3,406	2,986	2,125	2,884	370
Improved property values due to infrastructure enhancement	2,627,479	4,681,690	1,827,254	3,985,352	930,423	1,035,211	5,377,352
Benefits due to improved drainage system	2,817	16,901	9,577	5,634	5,634	8,451	5,915
Benefits due to street lighting in Nyarugenge							563,926
<b>Total</b>	<b>3,029,421</b>	<b>5,600,221</b>	<b>2,104,400</b>	<b>4,417,712</b>	<b>1,127,614</b>	<b>1,628,730</b>	<b>6,190,562</b>

Source: Primary data collected by FS consultants

10. Based on these assumptions and collected data, Table 5.3 shows the estimated net present values (NPVs) and Internal Rates of Returns (IRRs) for the proposed investments supported under RUDP. Sensitivity analysis was undertaken to assess how the outcome values changed due to changes in inflation, GDP growth rate and operations and maintenance. It is assumed that regular maintenance of the infrastructure will consume about 5 percent of the initial total capital cost of the sub-project. The O& M parameter was changed in the model between 3 percent and 5 percent to test the effect it would have on the results. The results do change when one changes the operations and maintenance parameter applied in the estimation.

**Table 5.3. Net Present Value and Internal Rate of Return**

Secondary Cities	NPV	IRR
Nyagatare—sub-project 1	3.24	14%
Nyagatare-sub-project 2	4.69	20%
Rubavu	8.69	17%
Musanze—sub project 1	2.42	16%
Musanze –sub project 2	4.05	14%
Huye—sub project 1	3.74	18%
Muhanga sub-project 1	3.52	14%
Muhanga sub-project 2	1.82	20%
Rusizi	5.75	15%
Nyarugenge—upgrading area	10.27	14%

Source: Team Computations using primary data collected by consultants

11. **Fiscal sustainability.** In terms of fiscal sustainability, simulations of the fiscal impacts of the proposed grants under the project show that the project does not undermine the Government's

fiscal sustainability. The grant allocations to the six districts are consistent with the GoR's intergovernmental finance system that seeks to improve formula-based allocations, fiscal discipline, and transparency in grant design. The proposed Urban Development Grant is seen as a first step towards incentivizing grant allocations that will eventually provide flexibility for the cities to select and implement priority projects, and over time build capacities and experiences for tapping to the markets in longer term. Several options have been considered and analyzed regarding the possible allocation forms and modalities for financing infrastructure; including grant financing, mix of grant and debt financing, and exclusively debt financing. Debt financing and even the mix of grant and debt financing were found to be premature to start with; because the partner cities have low own revenue capacities and low debt service capacities; and have no expertise in incurring, managing, or repaying debts. Only Kigali city has such experiences. The grant financing options were carefully investigated to explore conditions and impediments of performance based grant modalities.

**Table 5.4. District-wise project benefits description and investment subprojects**

<b>District</b>	<b>Examples of Investments (roads and drainages)</b>	<b>Estimated total costs</b>	<b>Examples of Benefits</b>
<b>Rusizi</b>	(1)Kukacyangu Road/R1 Camp court & Health Centre Road/R2, Cathedral Road/R3 (2)Access to National Road (3)Rusizi Border Post Road/R8(Phase I) (4)National Road to Gihundwe/R9&R29(Phase I)	US\$4.56m	<ul style="list-style-type: none"> <li>• Enhanced quality of life for the habitants</li> <li>• Improved connectivity and mobility within the City</li> <li>• Improved access to Health Centre</li> <li>• Increase in access to administrative and leisure services</li> <li>• Reduced friction of distance</li> <li>• Increased urbanized area</li> <li>• Facilitate Cross Border Trade</li> <li>• Support to the tourism sector</li> <li>• Feeder road for agriculture produce</li> <li>• Improved safety and access to the airport</li> <li>• Access to the Agakiriro/job center</li> </ul>
<b>Rubavu</b>	(1)Korumeru roads/R8&R9 (2)R3,R14,R20 and R2 (3)Kurundo to Petite Barriere/R17&R16 (4)Rugerero Bypass/R1A,R1B and R1C (5)Nengo drainage/R1 to R5	US\$4.56m	<ul style="list-style-type: none"> <li>• Employment potential through the EPIC Hotel</li> <li>• Connectivity and accessibility to CBD</li> <li>• Encourage investments in tourism facilities</li> <li>• Increased mobility and access to schools</li> <li>• Break of isolation for the Rwebeya community through the construction of a bridge</li> <li>• Solve flooding problem in this area</li> </ul>
<b>Nyagatare</b>	(1)Miramo I-EPIC Hotel to RN13 road/R23A (2)EPIC Hotel-Mirama II road/R23B	US\$4.57m	<ul style="list-style-type: none"> <li>• Connect industries to the main roads</li> <li>• Prevents risk of land slides</li> </ul>

	<p>(3)Road to Nyagatare Hospital/R2A  (4)EWASA Offices-Army Camp/R1 to R2  (5)R2 Umutara Polytechnique to RN13  (6)Umutara Polytechnique University to RN19/R4  (7)Nyagatare market to Agakiriro center/R14  (8)Rond Point to Barija/R11  (9)Barija Internal road/R17</p>		<ul style="list-style-type: none"> <li>• Improve the cities connectivity both internally and to other regions of the country</li> <li>• Reduce post-harvest handling losses from the marshland area by acting as feeder road for the area</li> </ul>
<b>Musanze</b>	<p>(1)SOPYRWA – National Police to Tax Park/R48  (2)Kizungu road/R49  (3)GST-Hatoni-GIRAMAHO road/R45A and R46  (4)Ibireshirya 6-Karere-Mpenge-Sunrise School/R24,R33A and R44  (5)Tete a Gauche-Mpenge-Cyuye/R26</p> <p>(1)Drainage D-4  (2)Protection of Rwebeya  (3)Riverback at Kizungu area/D1  (4)Muhe riverbank protection</p>	US\$4.94m	<ul style="list-style-type: none"> <li>• Provide alternative transport routes and reduce traffic congestion in city centre</li> <li>• Links main road to residential area</li> <li>• Links commercial centre to residential area and educational facilities reducing travel time and improving economic connectivity</li> <li>• Connects university with commercial district in city.</li> <li>• Reduced flooding in the neighborhood area through the storm water channel</li> <li>• Prevents risks of landslides</li> </ul>
<b>Muhanga</b>	<p>(1)R11 and R44  (2)R4  (3)R18  (4)R21 and R43  (5)R31  (6)D1 to D6 and D20</p>	US\$4.82m	<ul style="list-style-type: none"> <li>• Reduce travel time between Karubanda residential area and Huye City and to other regions of the country</li> <li>• Connects Ngoma residential area to Nyaruguru district road and on to national road</li> </ul>
<b>Huye</b>	<p>(1)Kibirigi R14 &amp; R16  (2)Kibirigi R15  (3)Kibirigi R73 and R40  (4)Agakiriro R19  (5)Akakiriro R85A  (6)Kabgayi R43A and R84  (7)Stadium Road R6  (8)Gemeka-Misizi-Kumisaraba R18 and R22  (9)Prateau (possibly Plateau)  (10)Roads R1, R2 &amp; R3  (11)Nyabisindu-Muganga Main  (12)Raoundabout &amp; Methodist  (13)Church to I.C.K Roads - R7 R38A</p>	US\$4.76m	<ul style="list-style-type: none"> <li>• Connects taxi park and residential area to administrative area and improves overall city connectivity</li> <li>• Improves access to administrative center and improve service delivery to population in surrounding area</li> </ul>