Côte d'Ivoire: Transport Sector Adjustment Programme

Ex post evaluation report

<table>
<thead>
<tr>
<th>OECD sector</th>
<th>21010 / Transport policy structural adjustment</th>
</tr>
</thead>
<tbody>
<tr>
<td>BMZ project ID</td>
<td>1998 66 468</td>
</tr>
<tr>
<td>Project-executing agency</td>
<td>N/A</td>
</tr>
<tr>
<td>Consultant</td>
<td>N/A</td>
</tr>
<tr>
<td>Year of ex post evaluation report</td>
<td>2007</td>
</tr>
</tbody>
</table>

| Start of implementation | 1998 |
| Period of implementation | 5 years |
| Total cost, of which | |
| (1) Investment component | USD 944 million |
| (2) Sector adjustment component | USD 835 million |
| USD 109 million | USD 99 million |
| Counterpart contribution to (2) | EUR 0.0 million |
| Financing for (2), of which FC funds | EUR 7.67 million** |
| Other donors involved in (2) | USD 100 million: World Bank |
| Performance rating for (2) | 5 |
| • Relevance | 4 |
| • Effectiveness | 5 |
| • Efficiency | 4 |
| • Overarching developmental impact | 5 |
| • Sustainability | 4 |

* Estimate: we did not receive any information on the actual cost of the investment component. Thus far the World Bank has not published an Implementation Completion Report including information on the total cost.

** converts into USD 9 million

Brief description, overall objective and project objectives with indicators

The German Financial Cooperation (FC) loan of EUR 7.7 million provided parallel financing for the transport sector programme in Côte d'Ivoire between 1998 and 2002. The project was a response to serious deficiencies in the road, water and air transport infrastructure due to maintenance deficits over a period of many years. The programme comprised a sector adjustment component that was financed mainly by the World Bank (planned: USD 100 million; actual financing provided: USD 90 million) and German FC (converted: USD 9 million) as well as an investment component funded by several donors. The FC funds were to finance imports for the road sector (including fuel).

The adjustment programme supported by FC comprised, among others, reform measures to ensure sector financing. It also called for changes in sector policy, e.g. no
more repairs assigned as force-account works but instead awarded to private construction firms.

The overall objective of the project was to help reduce transport costs, thereby improving the competitiveness of the Ivorian economy. A separate indicator was not defined; the overall objective was to be considered achieved upon fulfilment of the following project objectives:

1) Financing for road maintenance has improved. Indicators:
   a. The road maintenance budgets for the years 1998, 1999 and 2000 that were prepared in collaboration with the World Bank have become a mandatory item of the national budget.
   b. The measures provided for under the road maintenance programmes for 1998 and 1999 have been performed and financed.

2) The overall conditions for the private sector have improved. Indicators:
   a. Force-account works have ceased; instead, the work is being performed by the private sector on a contract basis (evidenced by annual auditor reports to the World Bank).
   b. The Direction du Matériel des Travaux Publics (DMTP) has been transferred to private leasing companies.
   c. The Directions des Routes et Voiries (DVR) have been restructured (according to agreements reached with the World Bank).

The system of targets is no longer state of the art. From today's perspective the overall objective was to help boost economic growth by improving road transport. The overall objective was to be considered attained upon achievement of the project objectives and a simultaneous increase in the traffic count within the country. The above project objectives focus on the result level. From today's point of view the project objectives aim at an improvement in the road system, measured by the rise in the share of classified roads in good or satisfactory condition.

Project design / major deviations from the original project planning and their main causes

In the 1970s and '80s the country's road and path network comprised a total of 68,000 classified road kilometres (5,300 km of which were paved) and thus covered a relatively broad area. In the 1990s, however, the efficiency of this network - which was used for app. 95% of the nation's traffic in goods and passengers - successively decreased owing to deficiencies regarding ongoing and periodic road maintenance. The core of the problem was insufficient state budget allocations to this sector coupled with inefficient use of scarce resources for costly force-account works by the state road authority. The maintenance deficits generated high transport costs, primarily in the agricultural sector, which traditionally produces the country's main exports (cocoa, coffee).

The World Bank (WB) funds were to be disbursed in 4 tranches. The FC funds in the amount of EUR 7.7 million (converted: USD 9 million) were tied to the first WB tranche (USD 50 million). This required government approval of the road rehabilitation and maintenance programme for the year 1998 as well as full budgeting of the local resources needed for the programme. In addition, an accounting and monitoring system for the overall programme and a training programme for DRV staff were established. Since most of these requirements were already fulfilled at the time of the project appraisal, the FC funds could be disbursed before the end of 1998. They were to be used to finance the foreign exchange costs of imports for the transport sector (taking the negative list of Development Cooperation/the World Bank into account).
Despite repeated warnings, by the end of 2005 neither the borrower (the Ivorian Ministry of Finance) nor the project-executing agency (the Ministry of Transport) had provided evidence confirmed by an auditor of proper use of the FC funds. Yet when we performed our own local audit of the use of the funds in April 2006, the project-executing agency was able to furnish evidence that import expenditures generated during the programme period corresponded to the funding agreements for the FC funds in terms of their purpose and the awarding procedure.

The adjustment component of the transport sector programme contained reforms that were to play a decisive role in improving both the ability of the Ivorian transport sector to function on a sustained basis and the sector's contribution to economic growth. The component comprised the following elements:

- Obligation to budget and provide state funds covering 100% of the cost of ongoing maintenance and 30% of the cost of periodic maintenance. To be financed out of federal taxes and levies generated in connection with road traffic.

- Reorganisation of the road construction authority from a state-run enterprise to an authority with coordinating and supervisory functions whose tasks are limited to monitoring the condition of the roads, programming the necessary maintenance measures and awarding and monitoring the corresponding service contracts with private companies.

- Sale/transfer of state-owned building equipment to private leasing companies.

- Limitation of road traffic controls to the extent required, i.e. prevention of illegal collection of levies at random checkpoints.

- Application of various measures to improve road safety, revision of transport laws to promote road transport organised by the private sector (liberalisation of the issue of transport licences, of imports of used motor vehicles etc.).

- Stronger weighting of maintenance measures by limiting the investment expenditures to projects with an internal rate of return of at least 12%.

Following disbursement of the first tranche - in 1999 - initially further reforms generated important success. This included the dissolution of the force-account divisions at the project-executing agency, the tender and award of the road maintenance works to private construction firms and the transfer of state-owned building equipment to the private sector. There were, however, the following deficits; (a) the privatised building equipment was not used to a satisfactory degree for road maintenance purposes; (b) the pool of qualified local construction firms and consultants proved to be too limited; and (c) the availability of public funds as required for the programmed measures remained insufficient. As a result of these shortcomings, the actual implementation of the programme missed the target by a wide margin. The maintenance requirements for the year 1998 were not fulfilled until the end of 1999 - and then only barely. On the other hand, key reform measures such as the elimination of random road controls and the introduction of more technical controls began to be institutionalised in 1999. Overall, the World Bank deems the progress to be sufficient and, with the consent of its German partners, disbursed its second tranche (USD 20 million) in March 2000.

Fulfilment of the financial reform requirements grew increasingly problematic during the course of implementation. The counterpart funds were sufficiently budgeted in the year 1999, yet the funds themselves were not provided. Merely one-third of the 1999 budget was realised, and the 2000 budget was, for the most part, unavailable. Steep price increases for the construction measures, particularly in the politically unstable north, caused additional strain.
The restructuring process of at DVR, which included the regional decentralisation of its planning and supervisory functions, was sluggish. Institutional problems were magnified by the military putsch at the end of 1999, which strongly inhibited reforms up until and including 2001. At times reforms that had already been implemented (e.g. cessation of force-account works) were in danger of being repealed. Constant staff fluctuation within the competent ministry weakened the administrative efficiency of the project-executing agency even more. As a result of the financial and organisational problems the various requirements set forth in the maintenance programme for 1999 were fulfilled to no more than 50% by the end of 2000 and, in some cases, to a far lesser degree or even not fulfilled at all. The World Bank responded in its mid-term review by revising the programme as follows:

- After the original financing concept - which had included a general financing commitment - failed, the World Bank called for the establishment of a road maintenance fund (Fonds d'Entretien Routier, or FER). The FER was originally supposed to be endowed to 50% with state revenues collected from mineral oil taxes, transport taxes and road tolls. It was created in early 2002 and, in that same year, for the first time local funds were available for road maintenance in the designated amount.

- In order to secure administrative capacities for coordinating the construction measures, these tasks were transferred from the state authorities to newly founded, autonomous implementing agencies. As regards rural road maintenance the Agence de Gestion des Routes (AGEROUTE) took over the programming, award, monitoring and acceptance of the road maintenance measures.

- In order to support financially weak small enterprises a guarantee fund was established in addition to the already planned technical assistance.

Following these adjustments to the programme design the World Bank's third tranche (USD 20 million) was disbursed in January 2002. In this connection the fulfilment of several conditions for disbursement was transferred to the last tranche, the so-called 'tranche flottante.' The Ivorians applied for a 2-year extension of the programme period in order to benefit from the World Bank funds during the implementation phase of these adjustments as well.

It became clear that the change in design did not lead to any fundamental improvements. In mid-2002 there were critical delays in both the launch of AGEROUTE and the preparation of the 2003 maintenance programme. The eruption of civil war in September 2002 escalated the domestic policy crisis even further. Since the country's north as well as some sections in the west were occupied by rebel troops, the maintenance measures in these regions had to be cancelled. At the end of 2002 all German DC employees were removed from Côte d'Ivoire for reasons of security. The IMF suspended the standby facility that it had just offered at the beginning of the year. Institutional and financial reforms began to falter. The implementation of the construction measures continued to be slowed down by the state's cumbersome awarding procedures and disbursement mechanisms. This situation coupled with low availability of funds due to higher expenditures for security led to considerable payment arrears to the private construction firms. AGEROUTE did not take up its work until 01 January 2003 and then still needed some time before it was able to launch full-scale operation. The statutory regulations applicable to FER ultimately (2004) stipulated that 25% of tax revenues be used for the allocations instead of 50% as planned. The start of the guarantee fund for companies was also delayed due to the scarcity of funds. In view of this situation the World Bank decided to postpone the end of disbursement for its adjustment loan initially to mid-2003 and then even to the end of 2004. The fourth tranche, the 'tranche flottante' (USD 10 million), that had not yet been approved was cancelled in December 2003.
In early 2004 the deposit into the FER that was prescribed by law did not take place. Thus the financing of AGEROUTE by the FER already ceased in the second year of its existence. The FER funds were not replaced by budget allocations; the state solely assumed the administrative expenses of AGEROUTE. The other problems with implementation that were brought about by the crisis were not resolved, either. As the country was divided, AGEROUTE was no longer able to monitor the state of the roads in the north. Service contracts that had already been signed for these parts of the country had to be terminated. Since the country ceased making debt service payments in mid-2004, it no longer received any external financing from abroad. The World Bank discontinued its payments, too - although the approved tranches had been disbursed to 86%. The activities of AGEROUTE were restricted to key emergency measures because a lack of funds forced it to lay off most of its staff. This situation did not change during 2005/2006, either, even though the government fulfilled its payment obligations to FER in the year 2005 (FCFA 8.36 billion, or USD 15.8 million). Half of this sum would have had to be used to satisfy payment arrears to the private sector, which did not take place in spite of the fact that the funds were available.

Key results of the impact analysis and performance rating

The transport sector adjustment programme aimed for overarching sector-policy and macroeconomic impacts and did not focus on any target groups in particular. As mentioned above, the efficacy of the project was jeopardised during implementation by two political crises. Among other things, these crises led to a significant decline in the government's reform discipline. Added to this was the fact that the domestic-policy conflicts and the civil war caused the government's finance-policy priorities to shift in favour of security-policy expenditures, which then had negative consequences for the implementation of the transport sector adjustment programme in view of an insufficient Ivorian counterpart contribution. The project's financing problems grew more acute once Côte d'Ivoire began accumulating payment arrears to foreign lenders as a result of the political crisis, leading to an interruption in incoming external donor funds for the project.

The following developmentally relevant categories were assigned during the ex-post evaluation: the reforms under the transport sector adjustment programme did not primarily target measures to improve the living conditions of poor people (EPA). The project did not have any apparent potential to improve the gender situation, nor did it comprise any measures that specifically aimed for a positive gender impact (G 0). Environmental protection and resource conservation were not among the project objectives (UR 0). The project did not aim for improvements in the area of participation and good governance (PD/GG0).

During the project appraisal the willingness of the Ivorian government to reform and its assertiveness were considered the main risks and were categorised as 'medium' level. As mentioned above, ex-post this assessment proved to be too optimistic. This was due mainly to the aggravation of the domestic-policy conflicts that led to the military putsch in 1999 and to civil war in 2002.

We rate the developmental efficacy of the transport sector adjustment programme as follows:

Effectiveness: Owing to the crises there is little information on the current status of the country's road network, leaving room only for plausibility estimates of the degree of achievement of the revised project objective (improvement in the road system). The original design assumed that, depending on the condition and level of traffic, one or more maintenance measures (reprofiling) would be necessary every year on each of the individual sections of the road. The technical progress reports suggest that ongoing maintenance measures were performed on a total of only about 58,000 road kilometres over the course of the original project period (1999-2002), i.e. until civil war broke out,
corresponding to some 85% of the original (1998) classified road network. In other words, on average barely one maintenance measure was carried out per section in 4 years - less than one-fourth of the measures that were originally planned. The reports on further project delays and scarce funds in the following period of civil strife suggest that even less was done in the ensuing years. Additionally, it is a known fact that today, certain road connections in the occupied areas have broken down fully for lack of maintenance. It can therefore be assumed that the above project objective was not achieved and that the condition of the classified road network worsened compared to its condition in 1998. The original goal of financing ongoing maintenance for the road network out of own funds was not achieved. As indicated above, a few important sector reforms were introduced. However, the civil war weakened the newly created institutions considerably. Whether they can play a major role in improving the sector once the political situation has stabilised is currently not clear. Therefore, we judge the project's effectiveness to be clearly inadequate (sub-rating 5).

Relevance: For the transport of agricultural products in Côte d'Ivoire there is no significant alternative to the roads. The breakdown of the road infrastructure is a major obstacle to the country's economic growth and a key development bottleneck, particularly for agricultural production, which is important both for economic development and exports. The project design was appropriate since institutional reforms (abandonment of inefficient force-account works), better state financing of (ongoing) road maintenance and substantial donor funds were necessary to reduce the level of periodic maintenance that had built up and to improve road maintenance in Côte d'Ivoire. Close donor cooperation, especially between FC and the World Bank, is documented by the ongoing integration of FC into the reform dialogue between the World Bank and the Ivorian government and by the decisions on tranche approvals. During implementation it became obvious that the original approach - i.e. alignment with existing state structures and financing mechanisms as far as possible - was not promising. Consequently, key functions relevant to project success were transferred to new, more independent structures (AGEROUTE, FER). The lack of coherence proved to be fatal for the project's efficacy. Thus the domestic policy crisis led to a shift in expenditure priorities (rise in expenditures for domestic security) and to neglect of major reform measures. For this reason we rate the relevance of the project as unsatisfactory (sub-rating 4).

Overarching developmental impact: The revised overall objective of the project was to contribute to boosting economic growth in Côte d'Ivoire. In view of the fact that far fewer road maintenance measures were carried out than planned and that the goals of improving the road conditions were not attained overall, we expect the project to have much less impact on economic growth since the transport bottlenecks were not mitigated as planned. As a result of the civil war, the number of illegal road controls and tolls began to increase as of 2002. Revenues from coffee and cocoa - the country's main exports, both of which are highly dependent on transport - declined dramatically owing to external factors such as the worldwide drop in cocoa and coffee prices (from 1999) and, later, the eruption of civil war (from 2002). Coffee production decreased from approx. 380,000 t in 1999/2000 to 130,000 t in 2005/2006. Overall we rate the project's overarching developmental impact as clearly inadequate (rating 5).

Efficiency: The project's production and allocative efficiency cannot be assessed precisely since no specific individual measures were defined for the imports financed out of FC funds. Since the impacts in terms of the project and overall objectives were far weaker than originally expected, we rate the project's efficiency as unsatisfactory (sub-rating 4).

Sustainability: The project had an impact on the institutional level in that new sector institutions (AGEROUTE, FER) were established: It also achieved a fundamental turnaround away from assigning road maintenance measures as force-account works. Insufficient allocation of Ivorian counterpart funds was one main reason for the fact that
the extent of the road maintenance work that was actually performed was far less than planned and that the project objectives were not achieved. Owing to the continuing high level of political instability in the country coupled with the corresponding negative impacts, a clear improvement cannot be detected in this regard. Therefore we rate the project's sustainability as unsatisfactory (sub-rating 4).

Based on the assessments specified above we rate the project's overall performance as clearly inadequate (rating 5).

General conclusions

Since the main causes of the inadequate efficacy were unforeseen external influences in the form of political crises (military putsch and civil war), general conclusions applicable to all projects and programmes could be drawn from this project to only a limited extent. Seen ex post, it would probably have made more sense not to disburse the FC funds at the same time as the first tranche of the World Bank. Disbursement of the FC funds at a later point in time would likely have increased the opportunities of FC to further influence the reform process and the disbursement could have been suspended during implementation given poor project progress. Implementing full-scale self-financing of ongoing road maintenance and simultaneously outsourcing these tasks to the private sector is a bold move since young, financially weak, small enterprises run a high risk of state payment arrears. To avoid transferring project risks to the private sector, for similar projects - if necessary - it should be accepted that payment defaults by the state can be compensated by financing local costs partly through FC funds, e.g. by creating a corresponding guarantee fund.
Notes on the methods used to evaluate project success (project rating)

Projects are evaluated on a six-point scale, the criteria being relevance, effectiveness, overarching developmental impact and efficiency. The ratings are also used to arrive at a final assessment of a project’s overall developmental efficacy. The scale is as follows:

1. Very good result that clearly exceeds expectations
2. Good result, fully in line with expectations and without any significant shortcomings
3. Satisfactory result – project falls short of expectations but the positive results dominate
4. Unsatisfactory result – significantly below expectations, with negative results dominating despite discernible positive results
5. Clearly inadequate result – despite some positive partial results, the negative results clearly dominate
6. The project has no impact or the situation has actually deteriorated

A rating of 1 to 3 is a positive assessment and indicates a successful project while a rating of 4 to 6 is a negative assessment and indicates an unsuccessful project.

Sustainability is evaluated according to the following four-point scale:

Sustainability level 1 (very good sustainability) The developmental efficacy of the project (positive to date) is very likely to continue undiminished or even increase.

Sustainability level 2 (good sustainability): The developmental efficacy of the project (positive to date) is very likely to decline only minimally but remain positive overall. (This is what can normally be expected.)

Sustainability level 3 (satisfactory sustainability): The developmental efficacy of the project (positive to date) is very likely to decline significantly but remain positive overall. This rating is also assigned if the sustainability of a project is considered inadequate up to the time of the ex post evaluation but is very likely to evolve positively so that the project will ultimately achieve positive developmental efficacy.

Sustainability level 4 (inadequate sustainability): The developmental efficacy of the project is inadequate up to the time of the ex post evaluation and an improvement is very unlikely. This rating is also assigned if the sustainability that has been positively evaluated to date is very likely to deteriorate severely and no longer meet the level 3 criteria.

The overall rating on the six-point scale is compiled from a weighting of all five individual criteria as appropriate to the project in question. A rating of 1 to 3 indicates a “successful” project while a rating of 4 to 6 indicates an “unsuccessful” project. It should be noted that a project can generally only be considered developmentally “successful” if the achievement of the project objective (“effectiveness”), the impact on the overall objective (“overarching developmental impact”) and the sustainability are considered at least “satisfactory” (rating 3).