

**PUBLIC DISCLOSURE AUTHORISED**

**CARIBBEAN DEVELOPMENT BANK**



**EXECUTIVE SUMMARY WITH MANAGEMENT RESPONSE**

**PROJECT COMPLETION VALIDATION REPORT**

**FOURTH ROAD (NORTHERN COASTAL HIGHWAY IMPROVEMENT  
SECTION 1 OF SEGMENT II) PROJECT - JAMAICA**

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**OFFICE OF INDEPENDENT EVALUATION**

**NOVEMBER 2012**

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## EXECUTIVE SUMMARY

### 1. BASIC DATA SHEET

**Loan No.:** 28/OR-JAM

**Board Paper:** BD 80/05

**Borrower:** Government of Jamaica (GOJ)

**Executing Agency (EA):** Ministry of Transport and Works (MTW) through the National Road Operations Constructing Company Limited (NROCC).

<u>Loan and Disbursement Details (USD'000)</u>	<u>Original</u>	<u>Total</u>
Loan Amount:	54.10	54.10
Disbursed:	54.10	54.10
Cancelled:	-	-
Date of Loan Approval:	2005-10-13	
Date of Loan Agreement:	2005-11-18	
Date Conditions Precedent Satisfied:	2006-04-10	

	<u>Appraisal</u>	<u>Actual</u>	<u>Variance</u>
	<u>Estimate</u>		<u>(months)</u>
Date of First Disbursement:	2006-02-01	2006-05-09	3
Date of Final Disbursement:	2011-03-31	2012-03-22	12

<u>Project Cost and Financing (USD'000)</u>			<u>Variance</u>
			<u>(\$)</u>
Total Project Cost - Revised	71.00	83.80	12.80
Caribbean Development Bank (CDB) Loan	54.10	54.10	-
Borrower's Contribution	16.90	29.70	12.80

<u>Implementation of Project</u>			
Commencement of Implementation	2005-11-01	2005-11-18	-
Completion of Implementation	2007-02-28	2008-04-01	13
Implementation Period (months)	15	28	
Economic Rate of Return (ERR) - original	>50%		
- revised	-		
- evaluation	>50%		

## **2. PROJECT DESCRIPTION**

### **PROJECT DESCRIPTION**

2.01 Most of the main road between Montego Bay and Falmouth was designed and constructed in the 1960s and suffered from sub-standard geometric design and inadequate safety features. Congestion was a frequent occurrence even during off-peak hours. In addition, some sections of the pavement were repaired and patched so frequently that unacceptably high roughness indices took a toll on vehicles and increased their operating costs.

2.02 In October 2005, the Board of Directors of CDB approved a loan of an amount not exceeding the equivalent of fifty four million one hundred thousand United States dollars (USD 54.1 mn) to assist GOJ with financing the reconstruction of Section 1 of Segment II of the North Coast Highway in Jamaica. The project was a component of GOJ's Northern Coastal Highway Improvement Project (NCHIP) and Northern Jamaica Development Programme. The project was expected to reduce vehicle operating costs; improve road safety; and support efforts to expand the tourism sector and employment opportunities.

2.03 The Implementation Agency was MTW. Responsibility for project management was initially vested in the National Works Agency (NWA) of MTW and the project financed staffing to increase NWA's capacity to implement the project. On project start-up, GOJ established NROCC, which was responsible for, among other things, the implementation of the project. The staffing financed under the project was transferred from NWA to NROCC.

### **PROJECT OBJECTIVES OR EXPECTED OUTCOMES**

2.04 The project was expected to contribute to reducing vehicle operating costs (VOC), travel time and the incidence of accidents; improving road safety; and strengthening of MTW's capacity to enforce vehicle weights on the country's road network.

### **EVALUATION OF PERFORMANCE AND OVERALL ASSESSMENT**

#### **Overall Assessment**

2.05 Overall performance is assessed based on the ratings for Relevance, Effectiveness, Efficiency and Sustainability. The Project Completion Report (PCR) rated the overall project performance as *Highly Satisfactory*. The Evaluator rates the overall project performance as *Satisfactory*. This variance resulted from the lower rating assigned by the Evaluator for Sustainability.

#### **Relevance**

2.06 While the project design underestimated the likely challenges associated with strengthening of MTW's capacity, the PCR rated relevance as *Highly Satisfactory* for the following reasons:

- (i) Based on lessons learned from previous CDB-financed projects, a design-build arrangement was used and was effective in reducing the risk of delays and cost overruns.
- (ii) The World Bank's Highway Design and Maintenance Standards Model software, considered best practice, was used for the design of the pavement structure.
- (iii) The project was consistent with GOJ's development priorities; and

- (iv) The project provided employment for unskilled labour; increased incomes for micro and small businesses during construction; supported expansion in the tourism sector, which led to the creation of a minimum of 5,000 temporary and permanent jobs; and enhanced access to economic, commercial and social services in the area, including for low-income women working in the tourism and services sectors.

2.07 The Evaluator agrees with the justification provided and also rates relevance as *Highly Satisfactory*.

### **Effectiveness**

2.08 The PCR rated this criterion as *Satisfactory*. Though delayed, the quantity of roadworks was completed as planned and the four weighbridges were procured, but not commissioned. The project was expected to lead to savings in VOC of \$50 mn annually after March 2008; and a 40 per cent (%) reduction in traffic accidents. Annual savings in VOC was estimated at \$46 mn after 2009. There was no baseline data to assess the reduction in traffic accidents as a result of the project but the Jamaica Constabulary Force reported that speeding during the initial months of highway operation, had resulted in an increase in vehicle/vehicle and vehicle/pedestrian accidents, some of which were fatal.

2.09 Business operators, residents and social service providers reported improvements in travel efficiencies along the highway; two new schools were established during highway construction with a combined student population in excess of 3,600; approximately 1,000 rooms were added to hotel plant along the corridor served by the project road; and construction had commenced on three hotels. The project therefore contributed to expanding access to social and economic opportunities.

2.10 Given the increase in accidents during the initial months of highway operation and the delays in completing the reconstruction works and commissioning of the weighbridges, the Evaluator rates this criterion as *Satisfactory*.

### **Efficiency**

2.11 The PCR rated this criterion as *Highly Satisfactory*. Despite an 18% cost overrun, financed by increased counterpart contribution, the estimated ERR at project completion was greater than 50%, which was the ERR at appraisal. The Evaluator therefore rates this criterion as *Highly Satisfactory*.

### **Sustainability**

2.12 The PCR rated this criterion as *Satisfactory*. The PCR noted that GOJ had established a Road Maintenance Fund which was expected to assist in meeting the cost of road maintenance. The PCR, however, noted that there is still considerable risk that the project road will not be adequately maintained, given the total demand for financing for road maintenance and GOJ's fiscal constraints. As such, the Evaluator rates this criterion as *Marginally Unsatisfactory*.

### **Performance of the Borrower and Executing Agency**

2.13 The PCR rated the Borrower's performance as *Satisfactory*. In general, the project was effectively managed. There was effective collaboration within MTW and between MTW and other government entities. The Borrower demonstrated competent management of inputs, was diligent in submission of monthly reports and other correspondence and was compliant with the loan covenants. The procurement of the weighbridges and the overall project was, however, delayed and the project experienced an 18% cost overrun. The Evaluator concurs with the PCR rating of *Satisfactory*.

### Performance of CDB

2.14 The PCR rated the performance of CDB as *Satisfactory*. The Borrower was satisfied with the performance of CDB and diligent supervision by CDB staff had minimised delays in reaching conditions precedent to first disbursement and resulted in timely payments, responses to client queries, and resolution to implementation challenges. The PCR, however, acknowledged that CDB could have provided greater guidance to NROCC on the procedures for procurement of the weigh scales.

2.15 The Evaluator rates the performance of CDB as *Satisfactory* based on the quality of support and guidance provided by CDB staff and quality at entry of the project as reflected in the project concept and design.

**TABLE 1: SUMMARY OF RATINGS OF CORE EVALUATION CRITERIA AND OVERALL ASSESSMENT OF PROJECT**

Criteria	PCR		OIE Review		Reason, if any, for Disagreement/Comments
	Score	Rating	Score	Rating	
<b>Relevance</b>	4	Highly Satisfactory	4	Highly Satisfactory	
<b>Effectiveness</b>	3	Satisfactory	3	Satisfactory	
<b>Efficiency</b>	4	Highly Satisfactory	4	Highly Satisfactory	ERR >50%
<b>Sustainability</b>	3	Satisfactory	2	Marginally Unsatisfactory	Significant risks threaten the full realisation of the project benefits
<b>Overall Assessment</b>	<b>3.5</b>	<b>Highly Satisfactory</b>	<b>3.25</b>	<b>Satisfactory</b>	
<b>Borrower and EA Performance</b>		Satisfactory		Satisfactory	
<b>CDB Performance</b>		Satisfactory		Satisfactory	

### Institutional Development Impact

2.16 The PCR rated this criterion as *Unsatisfactory*. By financing experienced personnel, the project contributed to strengthening GOJ’s capacity to implement the project and the wider NCHIP. The failure to commission the four weighbridges, however, limited the project’s institutional development impact. The Evaluator concurs with the rating of *Unsatisfactory*.

### LESSONS

2.17 The PCR cites the following as important lessons learned:

- (i) The Island Traffic Authority (ITA), the government agency responsible for vehicle enforcement, was the more appropriate agency to execute the institutional strengthening component, including managing the procurement of the weighbridges. ITA may have exhibited more ownership for the component and this may have resulted in reduced delays.
- (ii) The “design-build” approach may be useful for large projects where there are tight timelines and budget constraints. This approach can reduce engineering supervision costs and contractor claims and should be considered for similar projects in the future. However,

bidding documents should include outline or preliminary designs only and not detailed design drawings. This will ensure that contractors make their own appropriate investigations and minimise the potential for claims.

- (iii) Project design for large road projects should include mitigation measures to reduce risks to road users, including public awareness/road safety campaigns, in light of data which suggest an increase in vehicular accidents with the advent of improved roads.

2.18 The Evaluator agrees with the above lessons and also suggests that there should be a more in-depth institutional assessment of potential executing agencies' capacity, at appraisal, to inform project design, including implementation arrangements.

### **PCR QUALITY**

2.19 The Evaluator rated the quality of the PCR as *Satisfactory*. The PCR provided detailed information on project design and results achieved; justifications for performance ratings awarded; and identified lessons learned.

### **RECOMMENDATIONS FOR FOLLOW UP**

2.20 No follow-up for the Office of Independent Evaluation is required. The Evaluator does not consider that a Project Performance Audit Report would provide significantly more information or identify other lessons to be learned than what is contained in the PCR.



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## **MANAGEMENT RESPONSE**

1.01 There is generally congruence between the PCR and the Validation Report, except for the rating of the Sustainability criterion.

1.02 The PCR Team rated performance on “Sustainability” as Satisfactory while the rating on the Validation Report was “Marginally Unsatisfactory”. The Validation Report posited that since much of GOJ’s Road Maintenance Fund (RMF) resources would be utilised to service the Jamaica Road Improvement Rehabilitation Project (JRIRP) loan from another funding source, this could impact on project sustainability. As a consequence, there was a risk that there would not be full realisation of the project benefits.

1.03 The PCR Team accepts that there is such a risk, however, given the importance of the Northern Coastal Highway to Jamaica’s critical tourism sector, it is expected that maintenance requirements for this section of the road network will receive the highest priority. Furthermore, GOJ has indicated its commitment to increasing the contribution from the special consumption tax to the level of 50% over time to accommodate both maintenance and debt service. In addition, repayment on the Loan associated with JRIRP does not commence until 2015 and is not yet a drain on the RMF. This was evident in fiscal years 2011 and 2012, when all requests for maintenance funding from the RMF were approved.

1.04 For all of these reasons, management is of the view that the potential risk to “Sustainability” is mitigated, and cannot be quantified at this time. It is also important to note that given the overall network upgrade proposed under JRIRP and the good condition of the project highway, maintenance expenditure would not be substantial.

1.05 Both the PCR Team and the evaluators, however, agreed that there were some valuable lessons learned from the project that would assist the Bank in maximising the impact of its interventions in Borrowing Member Countries.