Report Number: ICRR0021920

1. Project Data

Project ID P107159	**Project Name** MX Urban Transport Transformation Progr
Country Mexico	**Practice Area(Lead)** Transport

L/C/TF Number(s)	Closing Date (Original)	Total Project Cost (USD)
IBRD-78830,TF-96291	30-Jun-2017	114,039,026.94
Bank Approval Date	**Closing Date (Actual)**	
25-Mar-2010	30-Apr-2019	

	IBRD/IDA (USD)	Grants (USD)
Original Commitment	350,000,000.00	200,000,000.00
Revised Commitment	350,000,000.00	62,015,667.76
Actual	114,039,026.94	62,015,667.76

Prepared by	Reviewed by	ICR Review Coordinator	Group
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2. Project Objectives and Components

a. Objectives

According to the Project Appraisal Document (PAD) (p. iv) and the Financing Agreement of July 21, 2010 (p. 5), the objective of the Urban Transport Transformation Program (UTTP) project was “to contribute to the transformation of urban transport in Mexican cities toward a lower carbon growth path”.

b. Were the project objectives/key associated outcome targets revised during implementation?

Yes

Did the Board approve the revised objectives/key associated outcome targets?
Yes

Date of Board Approval
18-Jul-2016

c. Will a split evaluation be undertaken?
No

d. Components
The project included three components:

Component 1: Capacity Building: Provision of Technical Assistance (TA) and training to the eligible beneficiaries in the participating entities (appraisal estimate US$10 million, of which nothing was disbursed due to the lack of demand for UTTP funds. According to the ICR, this lack of demand reflected a reluctance by local governments to borrow for capacity building as well as the availability of counterpart funds for capacity building and TA. ICR, p. 18-19). This component was to finance technical assistance such as: i) preparing, updating or completing Integral Transport Plans (ITPs), which were to include climate change mitigation considerations; ii) developing plans for modernizing traffic management and for efficient allocation of public space for transport and non-motorized modes; iii) supporting urban transport institutions or regional transport coordination commissions responsible for sector coordination, modal and fare integration promotion and updating of ITPs; and iv) training of local government staff and other civil servants in areas such as transport system inventory, urban transport planning and programming, traffic management, formulation of urban transport projects including bus rapid transit projects, traffic safety, non-motorized transport modes, environmental and social evaluation and rehabilitation and maintenance of roads.

Component 2: Development of Integrated Transit Systems that reduce CO2 emissions (appraisal estimate US$340 million, actual US$357.3 million): This component consisted of two sub-components.

Component 2a: Mass transit corridors and ancillary investments. This sub-component was to finance:

a) The development of Integrated Mass Transit Corridors (IMTC) in the participating entities (municipalities or groupings of municipalities), including, inter alia: the preparation, design, construction, supervision, maintenance and rehabilitation of roads for trunk lines and feeder roads, terminals, yards, transfer and access stations, mixed traffic lanes, and the acquisition of rolling stock, signaling, control centers, information systems, environmental monitoring equipment, and fare collection systems.

b) Carbon-reduction transport investments, including, inter alia: the adoption of traffic management measures, non-motorized transport, design of and implementation of universal access facilities, carrying out of studies and design of facilitates for bike-transit integration, parking space and transfer stations, vehicle use restriction, public space improvements, including sidewalks, adoption of safety and security programs, design of land use density and clustering plans, intelligent transportation, transport demand management marketing and promotion, freight management and car free planning.

Component 2b: Low-carbon bus technologies and scrapping of displaced buses. This sub-component was to finance:

a) The acquisition of low-carbon rolling stock to be operated in the participating entities.

b) Programs concerning the scrapping of old and displaced buses, including, inter alia: (i) building institutional capacity to develop and/or adopt clean and environmentally sound scrapping strategies (collection, dismantling and final disposal); (ii) the purchasing of displaced rolling stock; and (iii) financing of the scrapping process, defined as the collection, destruction and recycling of steel scrap and disposal of non-recyclable materials.

Component 3: Project Management (the costs of this component were to be financed by the Borrower): This component was to finance support (including the implementation of a technical monitoring system) to the eligible beneficiaries (states, municipalities, decentralized entities, private sector) for the supervision and monitoring of the implementation of the sub-projects in the participating entities.

e. Comments on Project Cost, Financing, Borrower Contribution, and Dates

Project Cost: The project was estimated to cost US$2,694 million. Actual cost was US$114.039 million. Reason for the significantly lower costs was the lack of demand for the UTTP funds.

Financing: The project received financing in the amount of US$200 million (of which US$62.1 million disbursed) by the Clean Technology Fund (CTF) and financing in the amount of US$150 million (of which US$52.03 million disbursed) by the International Bank for Reconstruction and Development (IBRD).

Borrower Contribution: According to the Bank team (December 10, 2019), the project leveraged US$243.4 million from both private sources and public sources, of which a total of US$51.5 million was privately financed. Mexico's National Development Bank for Public Works and Services (BANOBRAS) was to support public and private investments, through on-lending for the provision of grants, loans and guarantees to support mass transit sub-projects.

Dates: The project was restructured four times:

- On August 22, 2012 (level 2 restructuring) the project was restructured to allow for “spot starting conversions” for both the IBRD and CTF loan. The client could pick any date, and upon acceptance from the Bank, the conversion would enter into effectiveness. This was originally included in the IBRD loan agreement but not in the CTF loan agreement.
- On May 3, 2013 (level 2 restructuring) the project was restructured to introduce the option to use commercial practices for the acquisition of low-carbon rolling stock.
- On July 18, 2016 (level 2 restructuring) the project was restructured to: i) clarify coordination mechanisms, roles, and functions of different actors within the client entities, and the different phases of the sub-project cycle; ii) establish clearer criteria and processes for assessing the eligibility of sub-projects to receive Bank funds; iii) design a tool to support the government in carrying out the supervision of safeguards, and reporting on intermediate indicator; iv) reallocate funds from component 1 to component 2a and within component 2; v) to decrease the targets of two intermediate outcome indicators, drop two indicators and rephrase one indicator.

- On December 21, 2016 (level 2 restructuring) the project was restructured to extend the closing date by 22 months from June 30, 2017 to April 30, 2019 to align the project's disbursement period to the execution timeline of Mexico City's MB-L5ext sub-project. According to the Bank team (December 10, 2019) this sub-project was one of the most relevant sub-projects. The project was eventually financed with no Bank/Clean Technology Funds, therefore cannot be considered to be part of the UTTP.

The Mid-Term Review was planned to take place in March 2013 but ended up taking place in October 2014.

3. Relevance of Objectives

Rationale

According to the PAD (p. 1), at the time of appraisal 75 percent of Mexico's population lived in urban areas and continued to urbanize. This had a significant impact on urban services, including the urban transport network, negatively affecting both economic productivity and citizens' quality of life. Under conditions of rapid growth, mass transit development in Mexican cities was not able to keep pace. Motorization in Mexican cities was increasing by about 10 percent annually. According to the PAD (p. 2), transport was the main contributor to Mexico's carbon footprint. Transport-related emissions accounted for 18 percent of Mexico's Greenhouse Gas (GHG) emissions. Also, between 2000 and 2009, the emissions of the transport sector had increased by almost 40 percent. However, most mass transport was provided through unregulated private bus operations. Due to lack of access to financing most mass transport was conducted through aging buses that were not sufficiently safe, comfortable and contributed significantly to GHG emissions. Also, road infrastructure was deteriorating. Furthermore, most cities faced institutional weaknesses, insufficient staff capacity, and lack of an adequate framework for transport policy and planning, transport corridor management, and inadequate operations and maintenance budgets.

To address the urgent need for modern urban transport infrastructure, the government launched the National Infrastructure Fund (FONADIN), a financial window in the National Development Bank for Public Works and Services (BANOBRAS) to promote investments in infrastructure through grants, loans and guarantees. For urban transport improvements the government also created the Federal Support Program for Mass Transit (PROTRAM) to finance mass urban mass transit systems.

The project's objective supported Mexico's National Development Plan (2007-2012), in particular, the environmental sustainability pillar which aimed to turn the concept of environmental sustainability into a cross-sectoral dimension of public policies and assure that all public and private investments were compatible with environmental protection. At appraisal the objective of the project was in line with the Bank's Country Partnership Strategy (2008-2013), which focused on providing strategic support to Mexico in furthering sustainable growth, improving competitiveness, promoting social inclusion, reducing poverty, developing infrastructure, ensuring energy security, and strengthening institutions. Also, the objective of the project was in line with Pillar four of the Bank's most recent Country Partnership Strategy (2014-2019), which aims at promoting green and inclusive growth.

Rating
High

4. Achievement of Objectives (Efficacy)

OBJECTIVE 1

Objective
To contribute to the transformation of urban transport in Mexican cities toward a lower carbon growth path

Rationale
The project's **theory of change** linked several outputs such as the delivery of support to eligible beneficiaries with preparation and design of sub-projects and monitoring of operating sub-projects, training of sub-national entities, completion of climate-informed integrated transport plans, operation of mass transit corridors and implementation of ancillary carbon reduction investments with the outcome of transformation of urban transport in Mexican cities. Furthermore, the project's theory of change linked outputs such as deployment of low-carbon vehicle technologies and scrapping programs in place in participating cities with the outcome of transformation toward a lower carbon growth path. The project offered loans through on-lending from the State Development Bank, BANOBRAS, to sub-national governments and private entities to finance their respective contributions to any of several sub-projects supported by the Federal Program to Support Mass Transport (PROTRAM).

Outputs (The ICR did not provide any targets for these outputs):

The following results were achieved at the Output level, with varying degrees of completion.

- Two new mass-transit corridors (Monterrey and Tijuana's Bus Rapid Transit (BRT) were developed and the mass -transit corridor of Guadalajara was expanded (through the purchase of trains for the electric train SITEUR) as planned.
- In Tijuana, an exclusive lane for a trunk BRT corridor was constructed. However, delays in reorganizing incumbent operators delayed the sub-project operation which started in a limited way with only 14 buses in the trunk corridor.
- In Monterrey: a new department within the Ministry of Sustainable Development to manage the new BRT system was established. In Tijuana, two new departments were created, a new city-level secretariat for general mobility and Tijuana's Integrated Transport System (SITT) for managing the new integrated transport system. SITEUR (a state-owned company created for managing the Urban Electric Train System) in Guadalajara did already exist but the project provided SITEUR with technical assistance in areas such as road safety, disability accessibility, and engineering rolling stock design. All three cities approved Integrated Sustainable Urban Mobility Plans (PIMUS) indicating better planning and implementation capacity.

Outcomes:

- The amount of avoided CO2 emissions was 46,842 tons, not achieving the original target of 1.96 million tons.
- 2.12 integrated mass transit corridors (IMTCs) were implemented, not achieving the original target of 18 IMTCs. The ICR (p. 43) stated that an IMTC is an instrument to normalize measuring the extent of implementation of the PROTRAM program. The normalization is based on length of the corridor (weight = 1/3) and the demand carried by the corridor (weight = 2/3).
- The finance leveraged (intended to propel sectoral transformation) reached US$243.3 million, not achieving the original target of US$2.344 million.
- Three transport plans included climate change mitigation, not achieving the original target of eight plans.

While certain Outputs were achieved, none of the intended Outcomes were achieved or were likely to do so at project closure, thus corresponding to the IEG Guidelines for a Negligible rating for Efficacy.

Rating
Negligible

OBJECTIVE 1 REVISION 1
Revised Objective
The objective remained the same, only the outcome targets were revised.

Revised Rationale
The Outputs were the same as stated above.

Outcomes:

- The amount of avoided CO2 emissions was 46,842 tons, not achieving the revised target of 340,000 tons.
- 2.12 integrated mass transit corridors (IMTCs) were implemented, not achieving the revised target of 9.30 IMTCs.
- The finance leveraged (intended to propel sectoral transformation) reached US$243.3 million, not achieving the revised target of US$585 million.
- Three transport plans included climate change mitigation, not achieving the revised target of five plans.

Revised Rating
Negligible

OVERALL EFFICACY

Rationale

The achievement of the original and revised outcome targets was Negligible.

Overall Efficacy Rating	Primary Reason
Negligible	Low achievement

5. Efficiency

Economic Efficiency:

Ex ante economic and financial analysis

The PAD (p. 81) built a model to carry out the cost benefit or economic evaluation of the entire project and the financial evaluation of the concession to the private sector of the bus fleet. The incremental analysis was to compare with-project and without-project alternatives on a 20-year planning horizon. All infrastructure elements were estimated to have a useful life of at least 20 years, coinciding with the evaluation horizon. Buses, on the other hand, were estimated to have a useful life of 10 years and hence investment in buses were to take place twice during the evaluation horizon.

The basis of the economic and financial evaluation models was a demand model that assumed 154,000 rides per day in year 1. Demand was to grow at 1 percent per year. The model also estimated year by year the fleet required as a function of demand. Fleet acquisition costs were a function of the number and type of buses purchased by the concessionaire.

For the cost benefit or economic analysis model the following costs were considered: (i) cost of preparing the project (planning, engineering, and safeguard studies); (ii) land acquisition, for example for transfer terminals; and (iii) infrastructure construction (busways, transfer terminals, and bus depots). Travel time savings for users of the mass transit system: obtained from comparing the with and without project situations. In the "with" project situation an increase of 7 kilometers per hour was estimated. The Bus Rapid Transfer project was to contribute to reducing GHG gases because of the modal shift, the innovative technology of the buses, and because of speed improvements. The reductions were valued at US$8 per ton, which was the estimated value a facility such as the Carbon Partnership Facility was to pay. The Economic Analysis estimated a Net Present Value (NPV) and Economic Rate of Return (EER) for different scenarios (see PAD p. 82-83 for more details on the scenarios). The NPV ranged from US$84,193 to US$239,624. The ERR ranged from 22.9 percent to 33.1 percent.

The financial evaluation looks only at the element of the project that was to lend itself to private sector participation. In all scenarios the private sector was to recover its investment, hence the positive financial NPV and the IRR larger than the discount rate. The financial NPV ranged from US$7,051 to US$15,595. The Financial Rate of Return (FRR) ranged from 15.3 percent to 18.7 percent.

Economic analysis at third restructuring

During the third project restructuring the Economic analysis was updated. The analysis included four specific sup-projects and estimated a weighted combined Economic Internal Rate of Return (EIRR) of 13.07 percent. The combined sub-projects had a NPV of US$377.3 million at a discount rate of 4.5 percent.

The ICR (p. 53-58) confirmed the estimates calculated at the project's third restructuring. An EIRR of the Monterrey sub-project was estimated at 17.15 percent, for the Guadalajara sub-project at 13.65 percent, and for the Tijuana sub-project at -2.94 percent. The ICR did not calculate an EIRR or FIRR for the entire project at project closure.

Operational Efficiency:

The project experienced several implementation delays due to procurement and financial management related bottlenecks. The project required a 22 months extension of the closing date. Also, high cost of supervision (US$2.6 million) and two thirds of funds being undisbursed at project closure indicate inefficiencies.

While estimated ERRs were relatively high at appraisal, they dropped sharply by the third restructuring, and operational efficiency was adversely affected by substantial delays and high supervision costs. Overall efficiency is therefore rated Modest.

Efficiency Rating

Modest

a. If available, enter the Economic Rate of Return (ERR) and/or Financial Rate of Return (FRR) at appraisal and the re-estimated value at evaluation:

	Rate Available?	Point value (%)	*Coverage/Scope (%)
Appraisal		0	0 ☐ Not Applicable
ICR Estimate		0	0 ☐ Not Applicable

* Refers to percent of total project cost for which ERR/FRR was calculated.

6. Outcome

The relevance of the objective was High before and after the revision of key outcome targets at the time of the July 2016 restructuring, given its alignment with GoM strategies and Plans and with the Bank's most recent Country Partnership Strategy (2014-2019).. Efficacy was Negligible for before and after the target revisions since none of the targets was close to being reached. Efficiency was Modest. This results in an overall Unsatisfactory rating before and after the revision of key outcome targets..

a. Outcome Rating

Unsatisfactory

7. Risk to Development Outcome

According to the ICR (p. 38), the national government continues to be committed to the ongoing sub-projects which is critical for their sustainability. In order to ensure an adequate level of service, transport authorities need to ensure continuous maintenance and reinvestment. The ICR (p. 38) stated that additional interventions are necessary in the Monterrey sub-project to lease new bus depots to perform repair/maintenance and to ensure that the current fleets are not deteriorating even more due to the lack of an adequate facility.

According to the ICR (p. 39), the sustainability of the institutional changes that have been made will depend on the government's continuous efforts to strengthen implementation of the national urban transport policy.

8. Assessment of Bank Performance

a. Quality-at-Entry

According to the PAD (p. 30), the project was built on lessons learned from previous Bank projects and ongoing transport activities in Mexico. These lessons included: i) the institutional framework is key to advancing needed reforms; ii) there is a role for the federal government in the implementation of urban transport services reforms; iii) implementation strategy should have both high political involvement and strong technical support; iv) GHG mitigation is a long-term problem that requires a long-term response; and v) the mobility needs of the poor are different.

The Bank team identified relevant risk factors and rated the following as Substantial: i) low demand for funds because not enough cities were ready for participating in the project or cities find it too complex to participate in the project; ii) sub-project implementation delays, due to problems with local agencies for contracting and managing contingencies; and iii) low-carbon emitting buses might not be ready for implementation when the sub-projects require them or might present operational and maintenance problems. According to the ICR (p. 36), mitigation measures were not adequate and the risk of sub-national governments not seeking project funds for projects due to barriers materialized. Also, the risk that additional resources would be needed to support BANOBRAS' promotion of the project, supervision, and implementation of Bank policy materialized. Also, the ICR stated that project design did not anticipate the lack of local government capacity and that of private agents, to procure debt. Furthermore, BANOBRAS' had limited capacity to assess the financial risk of small bus operators. Finally, the project design did not address the risk of low readiness for implementation.

According to the ICR (p. 31), the project's design and institutional arrangements were complex. Instead of setting up an intermediary loan with indirect access to the final beneficiaries and with BANOBRAS as an intermediary responsible for implementing Bank policy, the design included the application of Bank policies as in a traditional loan with BANOBRAS being responsible for compliance with the Bank's policy terms. However, no financial resources were provided to execute this role.

The project's Results Framework had several shortcomings such as not including any indicators for measuring sectoral transformation (see section 9a for more details).

In sum, there were significant shortcomings in the Bank's Quality at Entry performance, which is consequently rated Moderately Unsatisfactory.

Quality-at-Entry Rating
Moderately Unsatisfactory

b. Quality of supervision
According to the ICR (p. 30), BANOBRAS and the Federal Program to Support Mass Transport (PROTRAM) were responsible for leading project promotion and implementation with limited resources. Frequent changes in staff at BANOBRAS had a negative impact on project implementation. Furthermore, the lack of local government capacity, which included high administrative turnover, a lack of norms and the capacity to prepare sub-projects to become eligible for the project resulted in implementation challenges. Furthermore, non-financial barriers such as operators' risk aversion and learning curve in using new technologies resulted in additional costs to utilize the newly introduced technology leading to the absence of low-carbon bus technologies. Also, high up-front costs were often a barrier to obtain financing from the Clean Technology Fund (CTF) for purchasing low-carbon buses.

The ICR (p. 30) stated that the Bank conducted active supervision (three to six supervision missions a year) and benefited from constant specialist support from the Country Office. Also, the Bank supported the entire PROTRAM portfolio. However, the Bank also conducted identification missions to new prospective cities resulting in high administrative costs for supervision and less financial resources being available for the supervision of actual sub-projects supported by the Bank. Furthermore, the project faced procurement issues such as private operators in Monterrey having to follow an international competition for bus purchasing resulting in sub-optimal results (see section 10 b for more details).

According to the ICR (p. 37), the Bank addressed the issue of complex project design by working with BANOBRAS in aligning processes and requirements of the project with those in PROTRAM and coordinating responsibilities between different departments. The Bank also coordinated with BANOBRAS in conducting an analysis of implementation readiness including areas such as indebtedness capacity and stages of project preparation and supported BANOBRAS in carrying out identification and preparation visits to sub-projects allowing for more effective targeting of potential sub-projects. The Bank also provided support in areas such as safeguard compliance, procurement and M&E. According to the ICR (p. 38), during the Mid-Term Review, the Bank also discussed with BANOBRAS changes to improve the usage of project resources such as the possibility of on-lending project resources to private financial institutions already providing loans to private operators. However, due to the closing date approaching this change was not made.

Quality of Supervision Rating
Moderately Satisfactory

Overall Bank Performance Rating
Moderately Unsatisfactory

9. M&E Design, Implementation, & Utilization

a. M&E Design
The project's theory of change and how key activities and outputs would lead to the intended outcomes was sound. While the Results Framework included indicators to measure critical benefits such as avoided CO2 emissions and time savings, it did not include an indicator to measure reduction in the value of operational cost, another component to economically justify the project. The project's objective was relatively broad and required institutional and sectoral transformation of the country's transport sector. However, the Results Framework did not include an indicator to measure sectoral transformation and only used the development of Integrated Sustainable Urban Mobility Plans (PIMUS) to measure institutional transformation. Also, none of the indicators had a baseline.

BANOBRAS was responsible for the project's M&E activities and was to prepare quarterly progress reports describing the main achievements of the project and sub-projects financed. The Coordinating Unit (UC) was to support the cities to carry out annual Results Based M&E activities including information on project outputs such as actual use of the transport services, user satisfaction with the quality of the infrastructure and services, tariffs, and reduction of travel time, among other indicators. For this purpose each city was to prepare a base-line study and was to organize participatory focus group discussions, consumer satisfaction surveys or other participatory methods.

b. M&E Implementation
According to the ICR (p. 34), the Borrower faced challenges implementing the project's M&E. Data collection was conducted rarely and the eligible beneficiaries did not conduct the surveys required to assess modal shift and time savings. Also, the project did not provide any budget to support the government to conduct M&E activities and fulfill its M&E responsibilities.

During the restructuring in July 2016 the project's Results Framework was revised to decrease the targets of two intermediate outcome indicators, drop two indicators and rephrase one indicator.

The ICR (p. 34) stated that when a new sub-project received UTTP support, the project was able to obtain data from sub-national clients who conducted feasibility studies for projects.

c. M&E Utilization
According to the ICR (p. 34), the project's M&E data was used to monitor progress of sub-projects. Since the data was estimated, rather than systematic, the project team had to confirm and complement the estimated data with field visits, secondary sources of information, and interviews with eligible beneficiaries. The ICR stated that the data did not inform the government's decision making.

M&E Quality Rating
Modest

10. Other Issues

a. Safeguards
The project was classified as category A and triggered the Bank's safeguard policies OP/BP 4.01 (Environmental Assessment), OP/BP 4.11 (Physical Cultural Resources), and OP/BP 4.12 (Involuntary Resettlement). According to the ICR (p. 34), the project prepared an Environmental and Social Framework (ESMF) and a Resettlement Policy Framework (RPF). The Government adopted the ESMF for all Federally-funded projects (MASTU in Spanish). The project provided technical assistance for introducing social and environmental management systems to ensure that all sub-projects, no matter what their source of financing was, complied with the Bank's safeguard policies. The ICR (p. 34) stated that the Tijuana and Jalisco sub-projects had no safeguard issues. The wEcovia (Monterrey) sub-project was challenged by compliance with the Bank's norms for maintaining and repairing rolling stock. A new bus terminal was planned but due to budget constraints, construction had not started at project closure. The Bank also raised with the authorities of Nuevo Leon the safety issue in the Bus Rapid Transit corridor which experienced a significant number of traffic accidents in 2018. The Bank provided technical assistance to conduct a road safety assessment and shared the results with the state authorities who committed themselves to indroduce new measures to improve the corridor's safety.

According to the ICR (p. 35), social safeguard compliance was Satisfactory at the time the project closed. The rating was only downgraded to Moderately Satisfactory due to missing documentation in 2018. The issue was addressed and the project built institutional capacity for safeguards documentation. Each Urban Transport Transformation Program (UTTP) sub-project included a social management plan with a communication strategy and grievance redress mechanisms (GRMs). Sub-national government entities in charge of the implementation of sub-projects administered the GRMs. The ICR (p. 35) stated that the GRMs were functioning and feedback was received and addressed in a timely manner by the implementors of the sub-projects.

Notwithstanding the above examples, the ICR is relatively sparse regarding issues of compliance and environmental impact of sub-projects.The MASTU framework is reported to include measurement of cultural heritage (ICR, p. 66) but the ICR does not mention involuntary resettlement apart from citing the relevant OP/BP.

b. Fiduciary Compliance
Procurement:

According to the ICR (p. 31), the project planned that private operators in Monterrey follow an international competition for fleet acquisition to obtain IBRD/CTF financing. Even though the private operators were experienced in the procurement of buses, the project faced several bottlenecks. The type of selected buses was not known to the operators, was more expensive than known models, and did not have the passenger capacity as defined in the technical specifications. These issues resulted in implementation

delays. In order to overcome these bottlenecks, the Bank conducted an assessment of commercial practices in the country and aligned the application of procurement guidelines in the project with the actual practices of private operators. The ICR (p. 35) stated that prior reviews of procurement took place as defined in the procurement plan. No instances of violation of procurement practices were declared when reviews were conducted of all procurement processed during the Urban Transport Transformation Program.

Financial Management:

According to the ICR (p. 35), the project's financial management complied with the legal agreement. The annual audits had unqualified opinions throughout project implementation and Interim Financial Reports were submitted in a timely manner and were of satisfactory quality. The project's financial management risk was rated Moderate until 2015 and was then Substantial until project closing due to delays in processes and low disbursement levels. The ICR (p. 35) stated that weak planning in terms of procurement and preparation of sub-projects at the sub-national level did not allow for a timely disbursement of funds. Also, the ICR (p. 32) stated that BANOBRAS's department responsible for evaluating the risks of private borrowers was tasked to assess the risk of private operators. Due to the relatively small number of deals, the department did not always prioritize these deals resulting in a low demand for UTTP funds from potential private borrowers who might have also found that the department had relatively high transaction costs and lacked flexibility.

c. Unintended impacts (Positive or Negative)

NA

d. Other

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11. Ratings

Ratings	ICR	IEG	Reason for Disagreements/Comment
Outcome	Unsatisfactory	Unsatisfactory	
Bank Performance	Moderately Unsatisfactory	Moderately Unsatisfactory	
Quality of M&E	Modest	Modest	
Quality of ICR	---	Substantial	

12. Lessons

The ICR (p. 39 to 41) provided several lessons learned which were adapted by IEG:

- **Ensuring implementation readiness before project approval is critical for mitigating any potential risks to a successful implementation**. This project could have benefitted from conducting a market analysis to confirm more potential borrowers, identifying mitigation measures for the risk of low demand for project financing and identifying the opportunity for BONABRAS to on-lend to private commercial banks with confirmed demand and capacity for processing loans to private operators. Also, more attention at preparation could have been given to effective coordination between BANOBRAS and PROTRAM.
- **Flexible technical requirements benefit national programs when they can be adapted to the context of local needs.** In this project, PROTRAM had several requirements such as all sub-project promoters creating a transport authority, approving an integrated mobility plan, and having an appropriate technical, economic, and legal structure and assessment .
- **Low-emissions programs benefit from improving public transport. Low-carbon vehicles may be more successfully introduced to private operators when the additional climate and environmental benefits are clearly explained.** In this project, the introduction of low-carbon vehicle technology added complexity, higher potential investments costs, and technology risks that negatively impacted project implementation and deterred private operators from seeking resources for the purchases of buses.

13. Assessment Recommended?

No

14. Comments on Quality of ICR

The ICR provided a good overview of project preparation and implementation. The ICR was internally consistent, identified useful lessons learned and included an Economic analysis. The report lacked conciseness (ICR guidance recommends a length of 15 pages for the main text but the main document of this ICR was 41 pages). Furthermore, the ICR did not provide sufficient information on risks to the sustainability of development outcomes.

a. Quality of ICR Rating

Substantial