**Gujarat rural roads project**

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India: Gujarat Rural Roads Project (Credit 1757-IN)

The India Gujarat Rural Roads Project, supported by Credit 1757-IN for SDR71.2 million equivalent, was approved in FY87. The Credit was closed one year later than scheduled in FY95 and SDR 29.8 in project savings was canceled from the credit - SDR 19.3 in 1973 and SDR 10.5 million at credit closing. The Implementation Completion Report (ICR) was prepared by the South Asia Regional Office. A summary of the Borrower's report is included as Appendix B.

The objectives of the project were: (i) to provide all-weather roads to the rural poor in selected

districts of Gujarat; (ii) to improve rural road planning and rural road construction and maintenance

practices; (iii) to improve maintenance management of state roads and train staff, and (iv) to determine the potential for resource mobilization through a study of road user charges and to improve road safety. To achieve these objectives, the project included a six-year program to construct or improve over **4,000** kilometers of rural roads, equipment, offices, housing and technical assistance, a road safety program, and road maintenance and road user charge studies.

Although the project was seriously behind schedule three years after credit effectiveness, the rural road construction program was successfully completed within the appraisal time schedule and cost estimates, following Gujarat Government's renewed commitment to the project in 1990. Subsequently, the project was extended and savings arising from the depreciation of the rupee were used to construct 40 percent more rural roads than planned at appraisal. In general, roads were built to a satisfactory standard, and the project helped to establish a more competitive local contracting industry, although inadequate supervision resulted in some poor quality roads. Despite the slow start, the Roads and Building Department successfully implemented the large and complex construction program. During the project period, milk sales increased substantially in the project area and local farmers and Government agricultural officials indicate that construction of the roads resulted in changes in the pattern of agricultural production in favor of more cash crops. Project beneficiaries included many poor rural women who are primarily responsible for the production and marketing of dairy products. The 16 percent economic rate of return (ERR) estimated for the completed project is lower than the appraisal estimate of 28 percent, despite the addition of agricultural benefits not estimated at appraisal, owing, to incorrect assumptions used in the appraisal estimate. However, the reevaluated ERR itself is based on assumptions about the benefits of the roads which cannot be substantiated because of the absence of monitoring data. The Gujarat Government gave little attention to the road safety and road financing objectives of the project, although a study of road user charges was carried out at the national level.

 The Operations Evaluation Department (OED) concurs with the ICR ratings for the project's outcome as satisfactory, institutional development impact as substantial and sustainability as likely. Although sustainability may be affected by inadequate funding for road maintenance, the current overall condition of rural roads in Gujarat is such that roads are not expected to seriously deteriorate. OED has rated Bank performance as satisfactory in view of its flexibility in changing its procedures to suit local conditions, but supervision of the project was at times lax.

The project illustrates the impact of Government commitment on project implementation: a change in government in Gujarat quickly turned the project around when it was two years behind schedule by allocating more money and staff to the project. A major lesson is that a methodology to screen road subprojects *ex ante* should be agreed with the Borrower and be based on sound economic analysis **and** inputs from sector specialists (such as agriculturists). Similarly, a system to monitor the benefits of project roads during and after implementation of the project should be established early in the implementation period.

The ICR is comprehensive and is rated as satisfactory.

No audit is planned.