



<b>1. Project Data:</b>		<b>Date Posted :</b> 09/17/2003	
<b>PROJ ID:</b> P008223		<b>Appraisal</b>	<b>Actual</b>
<b>Project Name:</b> Ve Highway Management	<b>Project Costs (US\$M)</b>	840	290.75
<b>Country:</b> Venezuela	<b>Loan/Credit (US\$M)</b>	150	83.3
<b>Sector(s):</b> Board: TR - Roads and highways (92%), Central government administration (8%)	<b>Cofinancing (US\$M)</b>	200	79.1
<b>L/C Number:</b> L3553			
	<b>Board Approval (FY)</b>		93
<b>Partners involved :</b> Inter-American Development Bank	<b>Closing Date</b>	06/30/1998	12/30/2002
<b>Prepared by :</b>	<b>Reviewed by :</b>	<b>Group Manager :</b>	<b>Group:</b>
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**2. Project Objectives and Components**

**a. Objectives**

The primary objectives of the project were to:

- rehabilitate and maintain the national paved highway network; and
- establish sustainable institutional mechanisms to ensure effective road maintenance in the future within a framework of a decentralized road administration.

Secondary objectives of the project were to:

- develop and implement policies and mechanisms for adequate funding of road maintenance and efficient recovery of road costs;
- encourage private sector participation by contracting out road maintenance activities and transferring expressways to the private concessionaires;
- strengthen road maintenance capabilities of the operational road administration units and policy formulation, planning, and monitoring of the highways maintenance office of the Ministry of Transport and Communication (MTC); and
- develop and improve compliance with environmental standards in the transport sector, particularly for highways.

**b. Components**

The project had three components :

(i) policy and institutional development program, including technical assistance and staff training to: (a) prepare and implement a program to decentralize the maintenance of the road network and to help transfer management of expressways to private concessionaires; (b) design and establish appropriate road cost-recovery and maintenance financing policies and mechanisms; (c) develop and manage a highway management system to help General Directorate of Raods (DGSVT) prepare and monitor efficient highway/bridge rehabilitation and maintenance strategies, standards, and programs; (d) formulate and implement a plan to contract out maintenance; (e) strengthen the technical capacities of MTC, state directorates and state public works departments to manage and supervise maintenance contracts; and (f) establish a capability in MTC to develop, implement, and monitor environmental standards and guidelines for roads.

(ii) an investment program, consisting of the highest-priority highway and bridge rehabilitation and resurfacing components of DGVST's 1993-97 program, including the rehabilitation of about 3,053 kms and the resurfacing of about 4,787 kms of highways.

(iii) a maintenance program, consisting of the routine and other periodic maintenance works on the entire main road network, which would be fully funded with local resources.

The project was restructured in 1998 after the mid-term review and the project scope and activities were revised. Greater emphasis was placed on assisting state governments in managing road sector activities and increasing the number of states participating in the project. Also, the appraisal targets for rehabilitation of 3,053 kms and resurfacing of 4,787 kms were reduced to 2,762 and 4,331 kms respectively.

#### **c. Comments on Project Cost, Financing and Dates**

The actual loan amount is US\$ 83.3 million compared to the original loan amount of US\$ 150 million. During the mid-term review (April 1998), US\$ 40 million was canceled. At project closing, a total of US\$ 26.7 million was canceled, largely because of cost savings incurred due to the depreciation of Bolivar. The Government's counterpart funding was reduced from US\$ 490 million at appraisal to US\$ 128.4 million at completion. The lower than expected amount of counterpart funds is attributed to the macroeconomic and fiscal difficulties in Venezuela as well as the depreciation of the national currency, which reduced the total level of central government contributions in relative terms. Cofinancing was much lower than what was expected at appraisal. Consequently, the actual project cost was US\$ 290.7 million compared to the appraisal estimate of US\$ 840 million.

### **3. Achievement of Relevant Objectives:**

The objective of rehabilitating and maintaining the highway network was modestly achieved. Approximately 3,256 kms of roads were constructed/rehabilitated/resurfaced compared to the revised rehabilitation target of 2,762 kms and resurfacing target of 4,331 kms. Resurfacing activities were carried out in conjunction with the road rehabilitation and reconstruction works because of the substantial deterioration of the road network and limited funding.

The objective to establish institutional mechanisms at state level to ensure effective road maintenance was achieved. The participating states created a state road entity with an executing agency and an environmental unit. The capacity to prepare annual routine and periodic maintenance plans and plans for new construction was strengthened. Extensive training was provided in Highway Design and Maintenance Model (HDM IV), a tool that permits economic analysis of road investments and tracks costs related to road use and deterioration. Training was provided in areas of road maintenance, works supervision, pavement technologies, social impact assessment and environmental assessment.

The objective of developing and implementing policies and mechanisms for adequate funding of road maintenance and efficient recovery of road costs was not achieved. A road fund model was designed under the project, however, it was never implemented. All the participating states have imposed tolls on some roads to enhance their financial resources. However, the amount of revenues generated from tolls are insufficient to meet current and future needs.

The objective of encouraging private sector participation in road maintenance and transferring expressways to the private concessionaires was modestly achieved. Road maintenance activities are now being undertaken by small and medium sized contractors. Total km tolled under private sector contract within the seven participating states is about 448 km. The Caracas-La Guaira motorway concession was canceled with the government taking over the management.

The objective of strengthening road maintenance capabilities of the highways maintenance office of MTC was modestly achieved. Extensive training was provided in HDM IV to National Fund and Foundation for Urban Transport (FONTUR). A comprehensive Road Maintenance Management System (SGCC) was to be developed for road, bridge, tunnel rehabilitation and maintenance. SGCC was delayed due to procurement and general implementation delays. The system became effective in late 2002. However, the system is of limited use as the state governments have not provided the relevant data.

The objective to develop and improve compliance with environmental standards in the transport sector was modestly achieved. An environmental manual was completed in 1996 and an environmental unit was established within MTC. The unit was eliminated due to budget cuts and was reestablished in 1999. All the participating states have established environmental units. The managerial and technical capacity varies dramatically between states and is generally very weak.

### **4. Significant Outcomes/Impacts:**

- The project financed civil works that significantly improved road access to Puerto Cabello, the most important port in the country.
- General guidelines for preparing maintenance plans were developed by FONTUR.
- There was increased private sector participation in road maintenance and operation. About 448 kms are tolled

under four separate contracts with private operators.

**5. Significant Shortcomings (including non-compliance with safeguard policies):**

- Quality at entry was poor. The project design was too ambitious in its size and scope. It lacked a detailed implementation framework and work schedule for road rehabilitation. The impact of decentralization was not fully anticipated at appraisal, especially regarding financial management issues.
- Project effectiveness was delayed by nearly two years due to changes in central government administrations and political uncertainty.
- Implementation was adversely impacted by inadequate capacity in tracking, compiling and consolidating financial data by the participating states and FONTUR. Annual project audits were often delayed. Internal financial information systems were neither integrated nor automated and their reliability is about 80%.
- Delays in counterpart funding and insufficient counterpart funding. The Government's counterpart funding was reduced from US\$ 490 million at appraisal to US\$ 128.4 million at completion.

6. Ratings:	ICR	OED Review	Reason for Disagreement /Comments
<b>Outcome:</b>	Satisfactory	Moderately Satisfactory	The project achieved most of its major relevant objectives but with significant shortcomings (see sections 3 and 5). The ICR's 4-point scale does not allow for a Moderately Satisfactory rating.
<b>Institutional Dev.:</b>	Substantial	Substantial	
<b>Sustainability:</b>	Unlikely	Unlikely	
<b>Bank Performance:</b>	Satisfactory	Satisfactory	
<b>Borrower Perf.:</b>	Satisfactory	Unsatisfactory	Borrower Performance is rated "Unsatisfactory" for the following reasons: <ul style="list-style-type: none"> <li>● Decentralization was carried out without the proper sector institutions at the state level and without creating adequate mechanism for allocating financial resources to the state governments.</li> <li>● The government did not define a plan to share responsibilities with the states.</li> <li>● There was weak government commitment to introduce the road fund as a mechanism for sustainable funding of maintenance.</li> <li>● The government failed to properly enforce technical standards at the decentralized level.</li> <li>● There were delays in providing counterpart funding and it was also lower than the appraisal estimate.</li> </ul>
<b>Quality of ICR:</b>		Satisfactory	

**NOTE:** ICR rating values flagged with '\*' don't comply with OP/BP 13.55, but are listed for completeness.

**7. Lessons of Broad Applicability:**

Future Bank initiatives supporting road sector decentralization should focus on the creation of appropriate sector institutions and the corresponding financing mechanisms for road construction and maintenance activities. Also, the Bank needs to provide technical assistance to: (i) support central government institutions to strengthen planning and regulatory enforcement; and (ii) provide additional assistance to state governments for augmenting administrative, technical, and managerial capacity.

**8. Assessment Recommended?**  Yes  No

**9. Comments on Quality of ICR:**

The quality of the ICR is satisfactory. However, the ICR is too long and repetitive and there are some inconsistencies in the total cost figures presented in Annex 2 and section 5.4.