



1. Project Data:		Date Posted : 03/01/2001	
PROJ ID: P008551		Appraisal	Actual
Project Name: Highway	Project Costs (US\$M)	45	44.2
Country: Lithuania	Loan/Credit (US\$M)	19	15.4
Sector(s): Highways	Cofinancing (US\$M)	16	35.4
L/C Number: L4084			
	Board Approval (FY)		97
Partners involved : EBRD, EU-Phare, JEXIM Bank of Japan	Closing Date	12/31/2000	04/04/2000
Prepared by :	Reviewed by :	Group Manager :	Group:
2. Project Objectives and Components			
a. Objectives			
<p>The overall objective of the project was to assist the Government of Lithuania to preserve its road network and improve the efficiency of Lithuania's road maintenance operations. The specific objectives were to:</p> <ul style="list-style-type: none"> (i) expand the level, quality and efficiency of periodic maintenance for roads and bridge repairs; (ii) reduce vehicle operating costs and improve the environment in five towns by completing bypasses, and to help preserve the urban infrastructure by financing an expanded program of street improvements and maintenance for the cities of Vilnius and Kaunas; (iii) facilitate road financing by encouraging an improved system of road user charges; (iv) encourage and support the development of private road construction and engineering industries; and (v) improve road safety conditions in Lithuania. 			
b. Components			
<p>To achieve the above objectives, the project comprised the following components:</p> <p>(a) Lithuanian Road Administration: (i) repaving of portions of regional road network; (ii) completion of partially constructed bypasses; (iii) bridge repairs for main road network; (iv) road safety program; and (v) technical assistance to Lithuanian Road Administration (LRA).</p> <p>(b) Municipality of Vilnius: (i) repaving and reconstruction of high priority streets and bridge repairs; and (ii) technical assistance to the Municipality for procurement, monitoring, project accounting and supervision of civil works included in the project.</p> <p>(c) Municipality of Kaunas: (i) repaving and upgrading of streets to provide an inner-city bypass; and (ii) technical assistance to the Municipality for procurement, monitoring, project accounting and supervision of civil works included in the project.</p>			
c. Comments on Project Cost, Financing and Dates			
<p>The actual project cost was US\$44.2 million compared to the appraisal estimate of US\$45 million. The Bank disbursed US\$15.4 million and US\$3.6 million was canceled. The project closed on April 4, 2000, almost nine months before the original closing. EBRD and JEXIM Bank of Japan are the main</p>			

cofinanciers, contributing a total of US\$35.4 million.

3. Achievement of Relevant Objectives:

The project achieved most of its key objectives.

- The level, quality and efficiency of periodic maintenance for roads and bridges was significantly expanded. The increased road fund revenues provided additional resources for road maintenance. Better planning and management system based on technical and economic criteria improved the institutional capacity of LRA to effectively plan and manage road maintenance activities.
- The completion of the four bypasses and the paving and upgrading of high priority streets in Vilnius and Kaunas substantially reduced vehicle operating costs.
- The Economic Rate of Return (ERR) for main roads is estimated at 55.9%, versus the appraisal estimate of 38.2. The ex-post ERR for repaving of East-West highway is 31.5% and for bridge repairs is 41%.
- An improved road user charges system was instituted. Additional revenue sources were added to the Road Fund, including, annual vehicle registration tax for cargo vehicles, transit fee on vehicles registered abroad, and a fee for vehicles with loads over permissible limits. The road fund revenue more than doubled from US\$76.5 million in 1996 to US\$165.8 million in 1999.
- The capacity of domestic consultants and contractors was enhanced through the provision of training in competitive bidding, site management, and quality assurance procedures.
- Road safety in Lithuania has slightly improved. The number of fatalities per 10,000 vehicles have declined from 7.5 to 6.6 (a 12 percent drop) between 1996 and 1999 largely due to improvements in road signs and markings on the national road network.

4. Significant Outcomes/Impacts:

The significant impacts of the project are:

- The rationalization of the Road Fund revenue base, thereby, linking road user charges to road usage. However, the future of the Road Fund is in doubt as the government is considering abolishing it and financing all road activities through regular budget;
- The development of pavement and bridge management system to improve planning of road maintenance activities; and
- An introduction of competitive bidding process, involving a significant move from force account to contracting out of civil works.

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

There was significant reduction in scope of work and substantial increases in repaving costs.

6. Ratings:	ICR	OED Review	Reason for Disagreement /Comments
Outcome:	Satisfactory	Satisfactory	
Institutional Dev.:	Substantial	Substantial	
Sustainability:	Likely	Likely	
Bank Performance:	Satisfactory	Satisfactory	
Borrower Perf.:	Satisfactory	Satisfactory	
Quality of ICR:		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:

The key lessons from this project are:

- The introduction of new technologies and design standards can substantially improve performance of road administrations in FSU countries that have been isolated from new practices for a long time.

- The availability of human capital in the FSU countries provides a good basis for development of private contractors and consultants.

8. Assessment Recommended? ☐ Yes ☒ No

9. Comments on Quality of ICR:

The ICR is of satisfactory quality. It is clearly written, and covers all the relevant and important issues.