



<b>1. Project Data:</b>		<b>Date Posted :</b> 12/14/2001	
<b>PROJ ID :</b> P008808		<b>Appraisal</b>	<b>Actual</b>
<b>Project Name :</b> Highway Rehabilitation And Maintenance	<b>Project Costs (US\$M)</b>	340.0	347.9
<b>Country :</b> Russian Federation	<b>Loan/Credit (US\$M)</b>	300	280.8
<b>Sector(s) :</b> Board: TR - Roads and highways (91%), Central government administration (9%)	<b>Cofinancing (US\$M)</b>		
<b>L/C Number :</b> L3706			
	<b>Board Approval (FY)</b>		94
<b>Partners involved :</b>	<b>Closing Date</b>	06/30/1998	12/31/1999
<b>Prepared by :</b>	<b>Reviewed by :</b>	<b>Group Manager :</b>	<b>Group:</b>
Hernan Levy	John R. Heath	Alain A. Barbu	OEDST
<b>2. Project Objectives and Components</b>			
<b>a. Objectives</b>			
(i) Slow the rapid deterioration of high priority roads, (ii) help preserve employment in road rehabilitation and maintenance works and shift more employment to the private sector, (iii) initiate reform of the institutional structure of road administration and the contracting industry, and introduce competitive bidding, (iv) begin development of a road design, supervision, and environmental assessment consulting industry, (v) improve the efficiency of public expenditure on roads, (vi) improve road safety, and (vii) help develop policy, legal and institutional framework for the transport sector, and restructure and improve the capacity of the transport ministry .			
<b>b. Components</b>			
(a) <i>Road rehabilitation</i> - rehabilitate about 1,500 kilometers of roads, make maintenance and road safety improvements on about 10,000 kilometers of mostly federal roads (This component was revised at the Mid-Term Review, reducing rehabilitation to 860 kilometers and transferring the maintenance component to the government budget); (b) <i>Equipment, materials, and supplies</i> - provide vehicles, equipment, materials, and supplies to aid better management of roads; and (c) <i>Technical assistance, training, and studies</i> - develop Federal Highway Department staff capabilities, train local contractors, and help the Ministry of Transport to develop the policy, legal, and institutional framework for the transport sector and restructure and improve the capacity of the transport ministry			
<b>c. Comments on Project Cost, Financing and Dates</b>			
Actual project cost is similar to appraisal estimates but scope of physical works was actually reduced by more than 50 percent during implementation.			
<b>3. Achievement of Relevant Objectives:</b>			
The objective of slowing deterioration of high priority roads was only partially achieved : only 760 kilometers (or about 50 percent of the appraisal target) of road rehabilitation was carried out . The revised target was not formalized (section 5 below). The maintenance component was taken off project finance at mid term -review, and government commitment to carry it out with own funds was not monitorable . Competition in road works helped launch development of construction/consulting industry. Other institutional objectives had only a modest start while no progress was made on the important objective of developing a comprehensive framework for the transport sector and restructuring the transport ministry .			
<b>4. Significant Outcomes/Impacts:</b>			
A significant outcome was the launching of competitive bidding which appears to have been adopted by the government for works to be carried out under budget financing . Bid competition helped to establish local contractors, who won some 25 percent of civil works contracts, and worked in joint venture with Western Europe contractors in another 56 percent. Project-financed consulting assignments also helped launch development of a road engineering consulting industry . The project's physical investments rehabilitated some of the most important national (and some international) roads radiating from Moscow thereby reducing the logistics cost of domestic and international trade .			
<b>5. Significant Shortcomings (including non-compliance with safeguard policies):</b>			
The project had overextended objectives and the large maintenance component (28 percent of total cost at appraisal) was poorly designed. An agreement at the mid-term review (MTR) that the government would carry out			

this component under own financing was not instrumented with reporting or monitoring . This agreement, and a large reduction in scope for the rehabilitation component (to 860 kilometers from the original 1,500 kilometers) decided at the MTR were not reflected in an amendment to the project as required by operational guidelines . Appraisal estimates significantly underestimated construction costs (by more than 100 percent), and traffic development. The latter led to an inadequate engineering design and the need to redesign and /or strengthen pavement works.

6. Ratings :	ICR	OED Review	Reason for Disagreement /Comments
<b>Outcome :</b>	Satisfactory	Moderately Unsatisfactory	Based on the low efficacy of project's physical as well as institutional components, and the diminished relevance of objectives (and related components) owing to project design weaknesses.
<b>Institutional Dev .:</b>	Modest	Modest	
<b>Sustainability :</b>	Likely	Non-evaluable	Following elimination of the Road Fund in 2000, allocation of resources for maintenance under the budget is uncertain.
<b>Bank Performance :</b>	Satisfactory	Unsatisfactory	Quality at entry was low due to project design problems. Bank performed poorly during mid-term review and failed to restructure project.
<b>Borrower Perf .:</b>	Satisfactory	Unsatisfactory	Borrower performance on institutional objectives was weak. Failure to develop accounting and auditing system for Road Fund were major factors in Fund's demise.
<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:

(i) a wide-scope project makes sense only if follow-on projects will pursue similar objectives, which did not happen in Russia as follow-on project was canceled prior to effectiveness, (ii) pilot civil works to test market response to bid are useful but they would have yielded higher benefits had an earlier and well structured stock -taking been included in project design, (iii) the experience with the Russian Road Funds confirm experience elsewhere that two key ingredients for such funds to be successful are that they (a) should be sourced from road user charges (rather than other taxes) and (b) should have in place a credible accounting and auditing system .

**8. Assessment Recommended?** ☒ Yes ☐ No

**Why?** An audit was carried out in parallel with the preparation of the ICR .

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

The ICR is thorough. However, as noted above, OED differs on several ratings .