



1. Project Data :		Date Posted : 06/29/2000	
PROJ ID: P006378 OEDID: L3547		Appraisal	Actual
Project Name : State Highway Management Project	Project Costs (US\$M)	224.2	170.1
Country : Brazil	Loan/Credit (US\$M)	88.0	69.8
Sector, Major Sect .: Highways, Transportation	Cofinancing (US\$M)		
L/C Number: L3547; L3548			
	Board Approval (FY)		93
Partners involved :	Closing Date	12/31/1999	12/31/1999
Prepared by :	Reviewed by :	Group Manager :	Group:
Binyam Reja	Ridley Nelson	Ridley Nelson	OEDST

2. Project Objectives and Components

a. Objectives

The project would help reduce the deterioration of the state road networks in Alagoas and Santa Catarina and improve their conditions by :

1. ensuring adequate priority and funding for rehabilitation and maintenance versus new -construction in the state road programs;
2. designing and implementing appropriate highway rehabilitation and maintenance strategies and programs;
3. strengthening State Highway Departments (DERs) maintenance capabilities through increased reliance on contracted, rather than force-account works, and through improved maintenance management system;
4. develop and implement environmental guidelines for state roads; and
5. contribute to the resumption of economic growth by reducing the costs of road transport on the state highway networks.

b. Components

The original components comprised two similar sub-projects in the borrower states :

1. Policy and Institutional Development Program

- prepare and annually update the States' road expenditure and funding programs, consistent with agreed criteria, priorities and targets;
- develop and implement a pavement management system (PMS) designed to help prepare and monitor appropriate rehabilitation and maintenance strategies and programs;
- strengthen the DER's contract and project management systems; and
- develop appropriate capability in the DER and the State Government to implement and monitor environmental standards and guidelines for state roads .

2. Investment and Maintenance Program

- Pavement rehabilitation, resurfacing and routine maintenance components of the States' 1992-1996 road program.
- The two sub-projects would have a total scope of 2,318 km of rehabilitation and resurfacing works : 870 km in Alagoas and 1,448 in Santa Catarina.

Project Restructuring

The two sub-loans were amended in February 1996 in order to reduce the need for project counterpart funding following Brazil's stabilization program (Plano Real), but the project objectives and descriptions were not revised .

The amendment of the loan entailed :

- (a) reduction of the scope of the Alagoas sub -projects;
- (b) increase in the disbursement percentage for civil works from 50% to 75% and for consultants and training from 50% to 100% of local expenditures;
- (c) cancellation of an amount of US\$ 18 million equivalent from the Alagoas loan;
- (d) action programs with specified benchmarks and remedies to be completed by the end of 1996;
- (e) reduction of targets for rehabilitation and resurfacing from 870 km to 291 km in Alagoas and from 1,448 km to 1,080 km in Santa Catarina.

c. Comments on Project Cost, Financing and Dates

- The amendment of the loan reduced the total project loan from US\$ 88 million to US\$69.8 million. The total project cost was reduced from US\$224.3 million to US\$164.7.
- The project was approved on December 22, 1992 and closed on December 31, 1999 as scheduled.

3. Achievement of Relevant Objectives :

Overall, the project achieved its objective of reducing the deterioration of the States' road network, but performance was better in Santa Catarina than in Alagoas .

- In Santa Catarina, the proportion of the network in critical to poor condition (with International Roughness Index (IRI) > 3.5) was reduced from 31% at appraisal in 1991 to 12% in 1997, and to practically zero percent at project completion.
- In Alagoas, because of the substantial change in the scope of the rehabilitation work, the project made only marginal contribution to the improvement of the condition of the state's road network . The proportion of the network in poor condition (IRI>5) was reduced from 30% in 1991 to only to 28% at the end of the project.
- All the revised physical targets were met, although it represented only 60% of the appraisal targets .
- The institutional development components were largely achieved .

4. Significant Outcomes /Impacts:

The significant impacts of the project are the rehabilitation and maintenance of the road network and the institutional development efforts. The institutional development efforts had the following results :

- establishment of a pavement management system
- environmental monitoring units
- contracting out of routine maintenance
- downsizing of the DERs

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

The main shortcomings of the project is the reduction in the scope of work in Alagoas, in part, due to the State's inability to provide timely and sufficient counterpart funding .

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	
Quality of ICR:		Satisfactory	

7. Lessons of Broad Applicability :

The ICR identifies the following lessons with broad applicability :

1. The results of technical assistance programs depend more on the technical experience and inter -personal skills of the specialist assigned to the specific task than on the experience records of the contracted consulting firms.
2. Proactive supervision and restructuring of the project when unforeseen circumstance emerge and critical assumptions change are essential to ensure the project achieves its development objectives .
3. The Bank may consider more favorable cost-sharing arrangements in the poorest states of Brazil .
4. The grouping of sub-projects into one "umbrella" project can lead to cost savings during project processing stage, but there are few economies of scale in supervision .

8. Audit Recommended? Yes No

Why? Together with other transport projects in Brazil, the project may be audited to examine and draw lessons from the project's experience with institutional development efforts and supporting the government's decentralization program.

9. Comments on Quality of ICR :

The ICR does not explain the methodology of the ex -post economic analysis. The aide-memoire for the ICR mission is not available.

