



1. Project Data:		Date Posted : 06/26/2002	
PROJ ID: P034083		Appraisal	Actual
Project Name: Urban Transport	Project Costs (US\$M)	38.29	34.3
Country: Turkmenistan	Loan/Credit (US\$M)	34.2	21.1
Sector(s): Board: TR - General transportation sector (68%), Sub-national government administration (32%)	Cofinancing (US\$M)		
L/C Number: L4170; LP307			
	Board Approval (FY)		97
Partners involved :	Closing Date		06/28/2001
Prepared by :	Reviewed by :	Group Manager :	Group:
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2. Project Objectives and Components			
a. Objectives			
Overall objective of the project was to improve, on a sustainable basis, the efficiency and effectiveness of urban transport operations in the Municipalities of Ashghabat, Mary and Turkmenabat . Specifically, it would			
a) reform management of the agencies in charge of urban transport operations in the three participating cities;			
b) establish a metropolitan transport organization (APAPO) responsible for the overall management of bus operations;			
c) improve cost recovery of the operating enterprises;			
d) implement an Operations Improvement Plan (OIP) - operational systems, procedures and supervisory practices to improve operations, maintenance and management of the transport services .			
e) augment and preserve supply of bus services;			
f) enhance private sector participation in the provision of urban transport services; and			
g) establish a continuing process of public consultation .			
b. Components			
There were 3 components.			
i) New Vehicles component - City of Ashghabat (\$14.19 million); cities of Turkmenabat (new name for Chardjou) and Mary (\$3.36million)			
ii) Maintenance and Rehabilitation Component - Ashghabat (\$12.41 million; Mary and Turkmenabat (\$1.64)			
iii) Technical Assistance and Training (\$1.3 million) - assist the Ashghabat Passenger Autotransport Production Organization (APAPO) with the planning and management of operating transport companies, including formulating the agreements between the 3 cities, APAPO and the companies, and implementation of the OIP; assist Ministry of AutoTransport (MoAT) and the municipal governments in the planning and regulatory framework, ie . the reform of national policies; and project staff training in international practices in public transport regulation, planning and management.			
c. Comments on Project Cost, Financing and Dates			
Actual project cost was \$34.32 million against \$38.29 million at SAR. \$21.07 million was disbursed by IBRD against \$34.2 estimated at appraisal. Three months after effectiveness, the project was effectively "stopped" by a QAG assessment which recommended a re-evaluation of the technical/financial analyses of component one . The project then suffered a Bank suspension from April 1998 to May 1999 due to "irregularities from another Bank loan". In December 2000, the Bank suspended disbursements again in an attempt to gain recommitment to the reform objectives of the project by the borrower . Finally at the request of the borrower, the loan was closed with the cancellation of \$13 million in June 2001, half a year before the original closing date .			
3. Achievement of Relevant Objectives:			
The suspensions had a negative impact on the project, including the loss of interest and commitment by the borrower. Very few project objectives/sub-objectives were achieved, as follows :-			
<ul style="list-style-type: none"> Supply of bus and trolley services met almost 100% of targeted output, contributing to enhanced reliability and 			

frequency of services.

- The contract agreements between APAPO, municipalities and transport companies in the 3 cities were signed, but never became effective vehicles of regulating the relationships between them, nor of transforming their management practices.
- APAPO was established but did not become a separate and independent entity from the MoAT . The operations support group (OSG) within APAPO was dismantled after the 1998/99 year long suspension and few of the institutional and policy issues were addressed .
- Cost recovery of the operating enterprises fell far short of the targeted 100% of direct operating costs . For buses, it was about 18%-21%, for the trolleys it was 12 %, and for the minibuses it was 53% at project close. Forty percent cost recovery had been a condition for loan effectiveness
- The OIP was not implemented as envisaged - preliminary feasibility studies and training program outlines were completed, but the actual introduction/implementation of new management approaches did not take place
- Private sector participation increased substantially, carrying 70% of the suburban and inter-city market. Participation in the urban route network was minimal . The agreed study of competitive tendering for public transport services was not done, and the authorities have not assisted the private sector in securing greater access to financing for investing in fleet and equipment .
- The continuing process of public consultation was not established - the Social Assessment initiated in 1996 was never repeated, as it was perceived to be too costly relative to their value added .

4. Significant Outcomes/Impacts:

- Introduction of a large fleet of efficient and environmentally friendly diesel and trolley buses into the urban public transport network of Ashgabat .
- Enhanced reliability and frequency of services in Ashgabat and improved passenger comfort
- Reduced passenger waiting time for diesel buses to 11 minutes and for trolley buses to 13 minutes relative to a 15 minutes target
- Exposure by APAPO to different policy and regulatory approaches for the urban transport sector

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

The project met with an unusual chain of events right after effectiveness which left it with little opportunity to succeed . Conditionalities (40% cost recovery for bus services) had been placed upstream in project preparation and international tendering worth half of total project costs had been initiated at very early stages to minimize risks and avoid delays. Nonetheless borrower commitment to project reforms appeared to have been overestimated and was further aggravated by the suspensions, one of which was unrelated to the project and had lasted more than a year . After this suspension was lifted, only investment activities were undertaken by the project and subsequent efforts by the Bank to renegotiate/scale back the scope of reforms were not taken up by MoAT .

Other contributing factors to poor project outcome were :-

- Restructuring of responsibilities over transport services and operations were done in isolation from systemic changes in the position of cities and enterprises vis a vis the state - or there could have been more support for the formal devolution of responsibility over urban /city transportation to the municipality which is a pre-requisite to working successfully at the municipal level .
- Political economy of the country could have been more adequately factored in, and the scale /type of reform more selective. Nonetheless, greater effort could have been attempted to address de -regulation of the sector to allow enough competition, including that from private sector participation, in the main urban network .
- Critical elements of the reform program were not sufficiently integrated into the Loan Agreement .
- Overambitious attempts by project to resolve entrenched sectoral problems in too short a period of time, including cost recovery target of 100% for all operating companies to be achieved within 2 and half years
- Absence of project requirement for specific fare increases in support of cost recovery targets .
- Excessively high turnover of Bank staff during preparation and implementation
- Lack of Borrower commitment and ownership to the reform objectives of the project, exacerbated by the project suspensions.

6. Ratings:	ICR	OED Review	Reason for Disagreement /Comments
Outcome:	Unsatisfactory	Moderately Unsatisfactory	[OED's rating of moderately sat. is not allowed under the ICR's 4-point rating scale]. While project achievements were modest, there were mitigating circumstances. Physical outputs in augmenting bus services were significant and the metropolitan transport agency (APAPO) was established and exposed to new policy/ regulatory approaches and practices.
Institutional Dev .:	Negligible	Negligible	

Sustainability :	Unlikely	Unlikely	
Bank Performance :	Unsatisfactory	Unsatisfactory	
Borrower Perf. :	Unsatisfactory	Unsatisfactory	
Quality of ICR :		Exemplary	

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

7. Lessons of Broad Applicability:

- Scope and depth of institutional reform and policy changes have to be well linked to the political environment in which it is to be implemented, and a better understanding of the political economy of the country is required .
- Mapping of project reform objectives to the loan /project agreement results in greater likelihood of their implementation and compliance.
- Bank practice of comprehensive economic and financial evaluation, as regards investments of vehicle replacement in financially constrained environments, encourages task managers to be more concerned with justifying the proposed investments using a nominally correct economic framework, even in the absence of reliable data. Simpler less comprehensive approaches used by the business world actually yield more practical information, such as the financial comparison of vehicle retirement vs rehabilitation and replacement in cost terms. A good practice would be a combination of narrower scope higher quality analyses nested within a larger conceptual framework with lower expectations .
- OED lessons also suggest that attempting reforms within the public sector through tripartite arrangements is difficult to enforce and brings limited returns . Without formal devolution of responsibility over urban /city transportation to the municipality, performance contracts are insufficient instruments for accountability . Further, there should be more effort to increasing competition within the main urban network through greater de-regulation of the sector.

8. Assessment Recommended? ☒ Yes ☐ No

Why? Project lessons are likely to be valuable to future Bank operations

9. Comments on Quality of ICR:

Exemplary ICR - comprehensive and very analytical . A summary of borrower comments in the report would have provided an additional perspective on the issues discussed . Project costs in annex 2 could have been better presented