



1. Project Data:		Date Posted : 09/23/2003	
PROJ ID: P008806		Appraisal	Actual
Project Name: Urban Transport	Project Costs (US\$M)	391	308.7
Country: Russian Federation	Loan/Credit (US\$M)	329	247.6
Sector(s): Board: TR - General transportation sector (97%), Central government administration (2%), Sub-national government administration (1%)	Cofinancing (US\$M)	0	0
L/C Number: L3885; LP272			
	Board Approval (FY)		95
Partners involved :	Closing Date	06/30/2001	12/31/2002
Prepared by :	Reviewed by :	Group Manager :	Group:
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2. Project Objectives and Components			
a. Objectives			
The objectives, as stated in the Staff Appraisal Report and the Schedule 2 of the Loan Agreement, were to:			
<ul style="list-style-type: none"> • preserve essential urban transport capacity in fourteen cities by linking financing of urgently needed replacement vehicles and spare parts to the implementation of reforms; • strengthen the fourteen project cities urban transport sector institutions so as to improve the efficiency of passenger transport operations; • arrest the decline in urban transport services throughout Russia through the provision of urgently needed spare parts for transport vehicles; and • provide restructuring advice for the domestic bus industry. 			
b. Components			
The main components of the project are (actual costs are in parentheses):			
(a) Purchase of new vehicles (US\$ 247.3 million or 80.1% of the total project cost);			
(b) Vehicle rehabilitation (US\$ 44.7 million or 14.5% of the total project cost);			
(c) Equipment (US\$ 8.6 million or 2.8% of the total project cost);			
(d) National spare parts program (US\$ 0 million or 0% of the total project cost); and			
(e) Technical assistance and training (US\$ 8.1 million or 2.6% of the total project cost).			
Revised components:			
<ul style="list-style-type: none"> • The national spare parts program was canceled in 1998. • Following the financial crisis in 1998-99, six cities were dropped from the project because of creditworthiness problems. • In 2002, the technical assistance component was revised to include two studies, one for national roads and the other for Russian railways. 			
c. Comments on Project Cost, Financing and Dates			
The total actual cost of the project is US\$ 308.7 million compared to the appraisal estimate of US\$ 391 million. At project closing, US\$ 247.6 million was disbursed, US\$ 80.2 million was canceled and US\$ 1.2 million was undisbursed. The project was extended for eighteen months to complete the national roads and railways studies.			
3. Achievement of Relevant Objectives:			
The objective of preserving the essential urban transport capacity in fourteen cities by linking financing of urgently needed replacement vehicles and spare parts to the implementation of reforms was substantially achieved. The provision of new and rehabilitated vehicles made it possible for most of the client cities to maintain and increase the			

frequency of services. The number of passengers increased by 24% in the first quarter of 2000 compared to the first quarter in 1997. For the same period, the trolley-bus services and tram-based services each increased by 24%. Regarding capacity, most of the medium and small cities have preserved or increased their capacity. However, in the biggest cities, the supply of services by public owned operators went down over the period 1995-2001 mainly due to two factors: (a) increased involvement of private operators, and (b) large scale retiring of over-age vehicles. The project was successful in increasing cost recovery from fare revenues. In 2001, cost recovery through fares was in the range of 49 to 105%, and the average was 77%.

The objective to strengthen the fourteen project cities urban transport sector institutions so as to improve the efficiency of passenger transport operations was modestly achieved. The cities introduced the following reforms: (a) transformation of public transport companies into legally independent corporate entities in public ownership, (b) separation of urban operations from intercity operations, and (c) introduction of service contracts to regulate the city-company relationships. However, there is not enough evidence to judge the impact of change in legal status and introduction of service contracts on operating costs and service outputs.

The objective to arrest the decline of urban transport services in cities throughout Russia through the provision of urgently needed spare parts for transport vehicles was not achieved. The national spare parts component was canceled as a commercial spare parts market had developed through market forces.

The objective to provide restructuring advice to the domestic bus industry was modestly achieved. Technical assistance was provided for market research on both the demand and supply side. A market study was carried out and disseminated in July 1998.

4. Significant Outcomes/Impacts:

- There was an increase in private sector involvement in the provision of urban passenger transport operations. In 2001, the privately provided public transport services accounted for 10 to 15% of urban passenger trips.
- The project assisted the Ministry of Transport in preparing an overall strategy for the urban transport sector.
- High quality vehicle specifications were developed for new buses and trolley buses. The project also introduced the practice of quality inspection of vehicles prior to the delivery.

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

- The project objectives were overly ambitious given the tight time schedule. Also, they were not linked to the legal covenants and monitoring indicators.
- At appraisal, inadequate poverty analysis was done of affordability and wage trend analyses for households. This jeopardized the optimization of cost recovery.
- Implementation of all the covenanted reforms was to be done by cities and none by the state. This prevented a closer involvement of the Bank during implementation. Also, the implementation of the agreed reforms by the client cities was weak.

6. Ratings:	ICR	OED Review	Reason for Disagreement /Comments
Outcome:	Satisfactory	Moderately Satisfactory	[The ICR's 4-point scale does not allow for a Moderately Satisfactory rating]. The project achieved most of its major relevant objectives but with significant shortcomings (see sections 3 and 5).
Institutional Dev.:	Modest	Modest	
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 Bank should ensure that the client governments do not pass the foreign exchange risk to sub-national entities whose revenue sources are limited to domestic currency. With the collapse of ruble, most of the client cities had no other option but to opt out of the project.
- Resources need to be allocated to collect and interpret data for calculating the ex-post economic rate of return.

8. Assessment Recommended? Yes No

9. Comments on Quality of ICR:

The quality of the ICR is satisfactory.