



1. Project Data:		Date Posted : 04/02/2001	
PROJ ID: P008045		Appraisal	Actual
Project Name: Transport Rehabilitation	Project Costs (US\$M)	242	299.85
Country: Peru	Loan/Credit (US\$M)	150	150
Sector(s): Highways	Cofinancing (US\$M)	38	51.79
L/C Number: L3717			
	Board Approval (FY)		94
Partners involved : KfW, OPEC, Japanese Trust Fund	Closing Date	12/31/1999	06/30/2000
Prepared by :	Reviewed by :	Group Manager :	Group:

2. Project Objectives and Components

a. Objectives
The main objectives of the project were to :
(1) rehabilitate essential transport infrastructure;
(2) assist Government in implementing institutional reforms in the road and railway subsectors, aiming at improved resource use and sustainable development; and
(3) lay the ground work for future projects focusing on strengthened road management, increased private participation in the transport sector, and improved mobility of the poor.

b. Components
To achieve the objectives described above, the project included the following components:

- road rehabilitation and maintenance
- railway privatization and rehabilitation
- runway rehabilitation at Lima Airport
- pilot project for non-motorized transport in Lima
- technical assistance and training

Revised Components
Without changing the project objectives, the components cost and physical targets were revised in March 1996. The reallocation was done because of increase in road rehabilitation cost and restructuring of the runway rehabilitation component. The road component was increased from the original appraisal estimate of US\$153.32 million to US\$227.94 million, while the airport component was reduced to US\$11.65 million from the planned US\$30.2 million. The road maintenance works program was canceled and US\$10.8 million were reallocated. Only US\$300,000 of this sub-component was disbursed to finance a pilot road maintenance program study.

c. Comments on Project Cost, Financing and Dates
The actual cost of the project is US\$299.8 million compared to appraisal estimate of US\$242 million. The Government counterpart funds increased from US\$47.9 million to US\$98.06 million. Cofinancing increased from US\$38 million to US\$51.79 million. The credit was fully disbursed. The project closed on June 30, 2000, six months after the original closing date.

3. Achievement of Relevant Objectives:
The project achieved most of its objectives.

- The revised physical targets for rehabilitation of transport infrastructure were met. The project supported rehabilitation of 589 km of roads and 44 bridges. Airport runway was rehabilitated and taxiway was repaired.
- The capacity of Ministry of Transport, Communications (MTC) for road network planning, contracting out works to private sector, performing quality control, and conducting environmental analysis was improved. Transport law was approved and a master plan for Civil Aviation was developed. Urban Transport Council for Metropolitan Lima was created to address urban transport problems. A Bridge Management System was developed.
- National Traffic Safety Council with a traffic safety unit was created to implement road safety pilot activities including national traffic sign manual and manuals for road safety education for primary and secondary schools.
- The project supported private participation in the transport sector through: (i) concessioning of National Railway Company to private concessionaire; (ii) concessioning of airport; and (iii) contracting out of road works to the private sector.
- The project promoted use of bicycles by low-income residents by constructing dedicated bicycle ways and establishing a revolving fund for purchase of bicycles by low-income workers.

4. Significant Outcomes/Impacts:

The significant impacts of the project are:

- concessioning of National Railway Company (ENAFER) to private concessionaire;
- concessioning of airport; and
- promotion of traffic safety with the creation of National Traffic Safety Council and its traffic safety unit.

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

The quality of feasibility studies and designs for road rehabilitation works was inadequate. This resulted in significant cost overruns during the implementation phase. Also, the road maintenance works program had to be canceled.

6. Ratings:	ICR	OED Review	Reason for Disagreement /Comments
Outcome:	Satisfactory	Satisfactory	
Institutional Dev .:	Modest	Substantial	The ID impact is assessed as substantial because: (a) railway was restructured and concessioned; (b) airport was concessioned; and (c) MTC capacity for road network planning, contracting out works to private sector and conduct environmental analysis has substantially improved.
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 ICR identifies the following lessons with broad applicability:

- It is important that Bank management provide greater oversight during the preparation phase and monitor the feasibility and design studies to ensure high quality and to avoid wastage of resources.

- The Bank should promote the use of post-qualification of bids instead of pre-qualification where there are limited number of local contractors. During the execution of the bridge component, there was collusion of prequalified bidders. As a result, the financial bids received were significantly higher than expected.
- For countries with limited institutional capacity in the transport sector, projects addressing various modes (ranging from roads, railways and airports) are too complex. Smaller and more focused projects that involve fewer implementing agencies may be more suitable.

8. Assessment Recommended? ☒ Yes ☐ No

Why? To examine and draw lessons from the privatization experience in the transport sector in Peru.

9. Comments on Quality of ICR:

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