

Fourth Highway

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The Pakistan Fourth Highway project, supported by Loan 2814-PAK for US\$152 million, was approved in FY88. The loan was closed in FY95, one year behind schedule, and was fully disbursed. The Implementation Completion Report (ICR) was prepared by the South Asia Regional Office. A summary of the borrower's report is included as an appendix .

The project's objectives were: (i) to lower transport costs on the Karachi-Peshawar (Highway N-5); (ii) to develop Pakistan's capacity to plan and manage highway operations and maintenance; (iii) to improve safety on national highways; (iv) to improve local contractors' capacity to execute maintenance and rehabilitation works; and, (v) to enhance cost recovery from road users. These objectives were to be achieved through: (a) rehabilitation of about 650 kilometers of the N-5 Highway; (b) introduction of modern techniques for maintenance planning and management; (c) creation of a new traffic engineering unit; (d) establishment of a pilot-scale highway patrol; (e) expansion of the national driver instructor training school; and (f) technical assistance and equipment to assist in various project activities. In addition, the project included studies for the preparation of future highway projects.

The physical objectives were largely achieved. About 80 percent of the sections of the N-5 Highway selected for priority improvements were either improved or widened, which substantially lowered transportation costs on this route. As a result, the economic rate of return for the investment is estimated at 31 percent versus 27 percent at appraisal.

The institutional objectives relating to improving highway management were also achieved. A seven-year highway maintenance program was successfully carried out by the National Highway Authority (NHA). With assistance from international consultants, the NHA introduced and developed expertise in modern road construction materials and methods and simplified administrative policies and procedures. A new traffic engineering unit was established and initiated its activities with the preparation of a manual on traffic signs and road markings. Introduction by the NHA of maintenance by contract helped develop qualified local contractors, whose numbers increased from 250 in 1989 to about 1,000 in 1995. The highway patrol unit was not established, mainly because of conflicts of authority among several agencies, and the driver instructor school was not expanded, mainly because of uncertainty about their long-term financing, after-project completion. Road user charges were periodically raised during the project implementation period. The budgetary allocations for highway maintenance similarly were raised periodically, although they remained stagnant during the second half of the project period.

OED rates project outcome as satisfactory, its institutional development impact as substantial, its sustainability as likely, and Bank performance as satisfactory. These ratings are in line with those in the ICR.

The main lessons of this project are: (a) issues related to implementation authority for each project component must be clearly identified and resolved prior to starting project implementation; and (b) where financing of road maintenance, continues to be substantially below the required needs, the establishment of a well designed system for earmarking road user charges specifically for maintenance would help to ensure a guaranteed and continuous flow of funds for maintaining roads.

The ICR is of satisfactory quality and contains a detailed assessment of the project prepared by the borrower. No audit is planned.