Report Number : ICRR0020089

1. Project Data

Project ID	Project Name	
P094488	HIGHWAY 2	
Country	**Practice Area(Lead)**	**Additional Financing**
Azerbaijan	Transport & ICT	P100667,P100668

L/C/TF Number(s)	Closing Date (Original)	Total Project Cost (USD)
IBRD-73560,IBRD-75160,IBRD-77250,IDA-46150	28-Feb-2011	988,825,000.00
Bank Approval Date	**Closing Date (Actual)**	
17-Jan-2006	30-Jun-2015	

	IBRD/IDA (USD)	Grants (USD)
Original Commitment	675,000,000.00	0.00
Revised Commitment	667,178,598.39	0.00
Actual	668,853,176.18	0.00

Sector(s)
Rural and Inter-Urban Roads and Highways(99%):Central government administration(1%)

Theme(s)
Infrastructure services for private sector development(40%):Administrative and civil service reform(20%):Trade facilitation and market access(20%):Rural services and infrastructure(20%)

Prepared by	Reviewed by	ICR Review Coordinator	Group
Ranga Rajan Krishnamani	George T. K. Pitman	Christopher David Nelson	IEGSD (Unit 4)

2. Project Objectives and Components

a. Objectives

The first Azerbaijan Highway Project (Azerbaijan: Highway Project), which started in 2001 and closed in 2009, planned to rehabilitate parts of the main East-West highway and strengthen and reorganize road maintenance.
The Project Appraisal Document (page 7) states that the Project Development Objective (PDO) of the Azerbaijan: Second Highway Project was:
"To reduce road transport costs and improve access, transit and road safety within Azerbaijan's East-West and North-South corridors, through upgrading some sections of the Alat-Masalli road of the Baku-Iran highway (M3) and rehabilitating the Baku-Shamakhi road (M4)."

The PDO as stated in the Financial Agreement (Schedule 2, page 12) was:
"**To reduce road transport costs and improve access, transit and road safety by upgrading and rehabilitating selected sections of the existing East West and North South Corridors."**
This assessment is based on the PDO as stated in the Financing Agreement.

There were four level 2 restructurings. The dates of the first three restructurings were 12/19/2006, 03/13/2013 and 10/18/2013. The date of the fourth level 2 restructuring is indicated below.

b. Were the project objectives/key associated outcome targets revised during implementation?

No

c. Components

1: Road Upgrading and Rehabilitation. (*Estimated cost at appraisal US$259.00 million, actual cost at closure US$879.28 million*). The activities in this component aimed at upgrading the Alat-Shorsulu section (80 kilometer of the existing two-lane roadway to a four-lane highway under new alignment) of the M3 highway between Alat and Masalli, rehabilitate the existing M4 Baku-Shamakhi road (124 km) and upgrading key access roads connecting to the Baku-Shamakhi road. This component comprised the civil works for these roads and consultancy services for the alternative analysis of the Alat-Astara road upgrading, engineering designs, environmental and social studies and supervision works.
This component was physically restructured five times.

- The scope was revised following the first level 2 restructuring on December 2006. Activities were to include rehabilitation of the Ujar-Kurdamir road (41 km) of the Baku-Alat-Gazakh-Geogai State border highway (M2). This activity was originally envisaged to be financed by the Kuwait Fund for Arab Economic Development. As the loan from this source did not materialize and as per Government's request, the Bank decided to finance this section as it was in line with the PDO. The financing for this component came from reallocating funds from another activity pertaining to the upgrading of the remaining sections of the M3 highway between Alat and Masalli road. This reallocation was to be a temporary measure as the upgrading activity was to be completed through an additional financing for the project.
- The first Additional Financing approved in April 2008 planned to finance the upgrading the remaining sections of the M3 highway between Alat and Masalli (112 km), including the sections dropped under the first restructuring, rehabilitate the existing R6 Baku bypass (41 km) between Tagiyev and Sahil and 200 km of secondary and local roads.The second Level 2 restructuring on March 2013 reduced the number of km of roads to be upgraded in the M3 highway from 112 km to 81 km due to the increase in construction costs.
- The second Additional Financing in June 2009 planned to scale up the project activities through rehabilitating around 116 km of the M6 road between Hajigabul and Bahramtapa and 200 km of local roads connecting rural roads to the M6 road. The third Level 2 restructuring on October 2013 further reduced the number of km to be upgraded in the M3 highway by 50 km (from 81km to 31 km).

2: Technical Assistance, training and goods. (*Estimated cost at appraisal US$5.38 million, actual cost at closure US$1.38 million).* Activities in this component included, (i) Institutional strengthening of the Ministry of Transport (MoT) and the Road Transport Service Department (RTSD) for supporting its ongoing activities in road management systems and operations (including updating the road transport law, improving and expanding the computer systems in the MoT and RTSD, completing the Road Data Bank, providing training, reviewing and updating geometric and structural design standards and developing capacity for managing environmental and resettlement issues). (ii) Supporting the implementation capacity of the Project Implementation Unit (PIU).

d. Comments on Project Cost, Financing, Borrower Contribution, and Dates

Project Cost: The cumulative estimated project cost was US$1,028.06 million compared with the appraisal estimate of US$264.87 million and the subsequent revised estimates of US$505.20 million and US$257.99 million respectively following the two Additional financings for the project. The costs increased because the project was scaled-up and much of the road construction differed in location from that selected at appraisal. Actual cost at closure was US$1,002.33 million. Although actual cost was lower than finally estimated, actual costs were underestimated even though the project ended up financing much less than the originally envisaged activities.

- **Component One: Road Upgrading and Rehabilitation**. As indicated above, this component aimed at upgrading sections of the M3 highway.
- **Component Two: Technical Assistance.** Activities planned to finance capacity development of Azeryolservis JSC (ARS)) in developing standard documents for domestic investment projects, developing a Road Safety Strategy and a Road Transport Plan, preparation of seminars and training ARS staff. Following this additional financing, outcome indicators were also revised and the project closing date was extended by two years from February 28, 2011 to February 28, 2013.

Further changes in cost occurred after the second additional financing:

- **Component One: Road Upgrading and Rehabilitation**. Activities planned to rehabilitate around 116 km of the M6 road between Hajigabad and Bahamtapa and 200 km of local roads connecting rural roads to the M6 road.
- **Component Two. Technical Assistance**. Activities planned to finance operating costs, staff training, monitoring and evaluation, financial audits and design of future investments.

Project Financing: The project was financed through an original IBRD Loan of US$200.00 million. IBRD Loan of US$300.00 million was approved through the first Additional Financing. Further, an IBRD Loan of USUS113 million and an IDA Credit of US$63.70 million was approved through the second Additional financing. With this the cumulative Bank financing for the project was US$676.70 million (IDA Grant of US$63.70 million and cumulative IBRD Loan of US$613.00 million). At closure, US$63.70 million of the IDA Grant and US$601.70 million of the IBRD Loan was disbursed. US$11.29 of the loan was cancelled at closure.
There was parallel financing for other complementary activities in the road sector from the Asian Development (ADB) and the European Bank for Reconstruction and Development (EBRD).
Borrower Contribution. Cumulative borrower contribution was estimated at US$359.07 million (including an original contribution of US$64.87 and US$205.20 and US$89.00 million respectively when the two Additional financing had been approved). Their actual contribution at closure was US$348.96 million.
Dates. Additional Financings was added on April 28, 2009 and July 2, 2009. Following the second Additional Financing, key outcome indicators were revised and the project closing date was extended further by a year from February 28, 2014 to February 28, 2015. The project closing date which was extended four times for a cumulative total of 44 months from February 18, 2011 to June 30, 2015.
In addition to the two there were four level 2 restructurings:

- **First Level 2 Restructuring on December 19, 2006.** This restructuring was intended to include rehabilitation of the roads which were originally envisaged to be financed by other donors. The results framework and monitoring indicators were also increased in scope.
- **Second Level 2 Restructuring on March 13, 2013.** This restructuring reduced the scope of the Alat Masalli sections upgraded under the project to 81 km and deleted some technical assistance activities which were achieved within other projects. Intermediate outcome indicators were revised in view of the revised scope of the project.
- **Third Level 2 Restructuring on 10/18/2013.** The project scope was reduced to 31 km of the section indicated above (from 81 km). The project closing date was extended by an additional ten months from February 28, 2014 to December 31, 2014.
- **Fourth Level 2 Restructuring on 12/11/2014.** The project closing date was extended by six months from December 31, 2014 to June 30, 2015.

3. Relevance of Objectives & Design

a. Relevance of Objectives

The PDOs were relevant to the development challenges facing Azerbaijan at appraisal. Azerbaijan’s economic growth was expected to double in real terms between 2004 and 2009, driven primarily by the boom in the oil sector and this growth was expected to increase per capita income, car ownership (according to estimates, car ownership was expected to increase by 75% between 2004-2010) and road traffic growth (with traffic growth estimated to quadruple between 2004-2010). Rebuilding road infrastructure was important, since more than half of the road network (including the major arterial roads) was in poor condition. This was particularly necessary for Azerbaijan to exploit the opportunities associated with transit trade, given its geographical position of being an important link between the Black and Caspian Seas, and between Russia and Iran.

The original and revised project development objectives were substantially relevant to the government strategy at appraisal. Azerbaijan's State Program on Poverty Reduction and Economic Development (SPRED) period identified the development of infrastructure (including transport infrastructure) as one of the six major pillars critical for expanding the non-oil sectors and improving the living standards of the low-income population. The Poverty Reduction and Economic Development (PRED-1) approved in 2005 supported the development of a modern well-managed transport sector. At appraisal, the draft of the public investment program of Azerbaijan identified investments in road infrastructure in general and upgrading its international road connectivity as the main priority for the country.
The project development objective was consistent with the Bank Strategy for Azerbaijan. The Bank's Country Assistance Strategy (CAS) for the 2003-2005 period identified the need for improving the quality and capacity of Azerbaijan's infrastructure for realizing two of the four strategic goals "Generating jobs and sustainable Non-oil growth" and "Improving Social Services and infrastructure." The CAS emphasized the need for improving Azerbaijan's infrastructure to cope with the fast growing economy and recommended a balanced combination of policy-based assistance, investment projects, institution-building and technical assistance. The Country Partnership Strategy (CPS) for the 2007-2010 period highlighted the need for significant investments in infrastructure and transit corridors for developing Azerbaijan's non-oil potential. This CPS also highlighted the need for developing both essential transit corridors and local roads to enhance accessibility as part of its second pillar.
The CPS for the 2015-2019 period was under preparation when the ICR was prepared. The project development objective was however closely aligned to the strategic objectives of the Country Partnership Strategy for the 2011-2014 period. This objectives of this CPS aimed at building a competitive non-oil dependent economy for Azerbaijan. The CPS also indicated a key government goal of strengthening Azerbaijan's role as a regional transport corridor and improving internal connectivity within Azerbaijan.

Rating
High

b. Relevance of Design

There is a valid causal link between the original project activities planned under each component, their outputs and the intended outcomes. Component One activities aimed at the upgrading and rehabilitation of the major arterial roads of the existing East West and North South Corridors could be expected to improve the condition of the roads and this, coupled with the upgrading of the secondary and local roads, can be expected to improve their condition and increase access. The combination of these activities could be expected to contribute to reducing transport costs and thereby contribute to transit trade through Azerbaijan.
However, it is not clear whether scaling-up of project activities (rehabilitation of selected segments of the highways) was based on a comprehensive strategy/systematic master plan or whether the segments were selected on a piecemeal fashion with no master plan. The various project restructurings - in the first case increasing the scope and in other cases decreasing the scope - affected the location and engineering of the road works (ICR, page 11). The design - which envisioned project implementation in phases - in practice entailed uncertainties and risks and caused delays. It is not clear whether the lending instrument used in this project - Sector Investment Loan (SIL) - was appropriate.
The project activities included institutional components were not directly relevant to the PDO of reducing road transport costs, improving access, transit and road safety on the project roads.

Rating
Modest

4. Achievement of Objectives (Efficacy)

Objective 1

Objective
There were four sub-objectives which will be dealt with separately: (a) To reduce transport costs

Rationale
Sub-objective a: To reduce transport costs.
Outputs.

- A total of 349 km of highway project roads were improved or rehabilitated under the original and additional financings for the project, as per the revised targets. This included 31 km on the Alat-Yenikhend Road, 123 km on the Baku-Shamkhi, 42 km on the Kurdamir-Ujar road, 112 Km on the Hajigabul-Bahramtapa road and 41 km on the Tagijev Sahil road.
- The revised road law was prepared as targeted.
- A draft law addressing shortcomings with land acquisition was prepared and submitted to the government. The law was adopted and came into force in 2010.
- A quality manual and guidelines was prepared as targeted and an implementation action place was in place for Azeryolservis to adopt quality management principles.

Outcomes.

- The project aimed to reduce vehicle operating costs over the baseline was 9% on the Alat to Yenikend section and 11% reduction was achieved, thus exceeding the target. The project aimed to reduce the operating costs of the Baku-Shamakhi section by 10% and achieved a 14% reduction, again exceeding the target.

Rating
Substantial

Objective 2

Objective
(b) To improve access

Rationale
Sub-objective b. To improve access.
Outputs.

- 113 km of connecting roads were rehabilitated at project closure. This exceeded the revised target of 112 km but was short of the original target of 120 km. 349 km of non-rural roads were rehabilitated as originally targeted. 113 of rural roads were rehabilitated at project closure. Although this was short of the original target of 200 km, this exceeded the revised target of 100 km.
- A road sector strategy that was consistent with the Government's transportation strategy and a Road Investment and Maintenance Plan for the Magistral, Republican and Load roads was prepared as targeted. This plan at closure was under review by the Ministry of Transport (MoT).
- A road sector master plan covering both investment and maintenance was prepared as targeted.
- Relevant and pavement data for the Road Asset Management System (RAMS) were collected for identifying the condition of the road network. This system was to serve as a basis for conducting network wide economic analysis, preparation of budgets, planning maintenance and prioritization of investments.

Outcome.

- There was a 54% increase in travel frequency by villagers in the Hajigabul- Bahramtapa region as compared to the baseline. This exceeded the revised target of 50%. The ICR however provides no details on the methodology used for measuring travel frequency.

- There was an average increase of 8% in farm-gate prices of key commodities in Hajigabul-Bahramtapa region as compared to the baseline and as compared to the revised target of 20%. This was however an inappropriate indicator: farm-gate prices are affected by many exogenous factors, communication being only one.

Rating
Substantial

Objective 3

Objective
(c) To improve transit time

Rationale
Sub-Objective c. To improve transit time.
Output.

- As indicated above, a total of 349 km of highway project roads were improved or rehabilitated under the original and additional financings for the project, as per the revised targets.

Outcomes.

- Average travel time on the Alat-Yenikhend section was reduced from 30 minutes at the baseline to 18 minutes at closure, exceeding the original target of 20 minutes. Average travel time on the Baku-Shamakhi segment declined from 150 minutes to 100 minutes as targeted.

Rating
Substantial

Objective 4

Objective
(d) To improve road safety.

Rationale
Sub-Objective d: To improve road safety.
Outputs.

- A road safety program was developed as targeted. Legal reforms were drafted and were with the government for implementation at project closure.
- Road safety audit guidelines and guidelines for identification and treatment of black spots were developed.

Outcomes

- Road accidents in the project targeted area decreased by 48%. This exceeded the original target of 30%.

Rating
Substantial

5. Efficiency

Economic Analysis.
A cost-benefit analysis, using the Highway Development and Management Model (HDM-4) was conducted for the project components which accounted for about 85% of the project cost at appraisal and 86% of the project cost at closure. The principal benefits of the project were assumed to come from savings in vehicle operating costs, time savings for vehicle occupants and enhanced in road safety. The overall ex post Economic Internal Rate of Return (EIRR) was 24.4% as compared to the ex ante EIRR of 25.5%.
Administrative and Operational Shortcomings. Costs were underestimated due to a combination of both internal factors such as overdesign and design changes due to unforeseen technical problems and exogenous factors such as the economic boom brought about by increase in oil prices which in turn caused inflation and appreciation of the local currency relative to the US$ dollar and the world economic crisis of 2008-2009. The quality of engineering designs and bid documents required revised design. Having two separate additional financings rather than one as originally envisioned nearly doubled the efforts of project preparation resources and Bank staff time. There were delays associated with finalizing the Resettlement Action Plans (RAPs) for activities which represented the bulk of the civil works financed under the project.The disbursements remained low during a large part of the project, due to delays in implementation of the civil works and there were delays also associated with compliance of the financial, procurement and environmental issues.There were time overruns and the project closing date was extended for a cumulative total of 44 months.

Efficiency Rating
Modest

a. If available, enter the Economic Rate of Return (ERR) and/or Financial Rate of Return (FRR) at appraisal and the re-estimated value at evaluation:

	Rate Available?	Point value (%)	*Coverage/Scope (%)
Appraisal	✓	25.50	85.00 ☐Not Applicable
ICR Estimate	✓	24.40	85.70 ☐Not Applicable

* Refers to percent of total project cost for which ERR/FRR was calculated.

6. Outcome

Relevance of project development objective was rated as High and relevance of design was Modest. Efficacy of each of the four sub-objectives - to reduce transport costs, to improve transit time, to improve access and to improve road safety was rated as Substantial. Efficiency was rated as Modest. Thus there were moderate shortcomings in the operation's design relevance and efficiency.

a. Outcome Rating
Moderately Satisfactory

7. Rationale for Risk to Development Outcome Rating

The main risk to development outcome concerns the possible lack of adequate provision for road maintenance activities. Although the government has been increasing its budgetary allocation for road maintenance in absolute terms (with the maintenance funding increasing from AZN30 million in 2005 to AZN222 million by 2013), there is the risk that in the absence of a legal framework that binds the government to transfer funds to the road sector, and absence of self- financing mechanisms on the part of the road sector. Consequently adequate financing might not be provided for the maintenance of the rehabilitated roads. This is particularly so in view of the recent reduction in oil revenues to the government.

a. Risk to Development Outcome Rating

Modest

8. Assessment of Bank Performance

a. Quality-at-Entry

The preparation of this project built on the experience with an ongoing Bank financed project (Azerbaijan Highway Project) that started about five years before this project in 2001 and was completed in 2009. The preparation team adapted to the request from the government by expediting the preparation of the project and delivered the project for Board approval within six months. The project which was approved by the Board in January 17, 2006 became effective on August 19, 2006. To accommodate the government's request, the approach taken entailed dividing the project in several sections but dealing with safeguards upfront (discussed in section 11). However, detailed designs for only 22 km of roads (out of the originally planned 242 km of the highways) were ready (PAD, pages 11 and 19) and the detailed design for the rest of the roads network were to be prepared. Thus, the quality of engineering designs and bid documents that were prepared at entry required additional or revised designs during implementation (ICR, page 11). This in turn contributed to underestimation of project cost.

Quality-at-Entry Rating

Moderately Unsatisfactory

b. Quality of supervision

Supervision missions were conducted twice a year. The supervision team used the opportunity accorded by the two additional financings for the project to include institutional strengthening issues such as road safety and a Road Asset Management system. The team also introduced a Performance Assessment Tool that aided in identifying bottlenecks ahead of time in civil works contracts. The team also financed the preparation of a Land Expropriation Law of Azerbaijan that was consistent with modern European practice and following the legal traditions of Azerbaijan (discussed in Section 11).
However, the various project restructuring - in the first case increasing the scope while in other two project restructurings reducing the scope - created uncertainties and caused delays. Having two separate additional financings rather than just one as envisioned nearly doubled efforts in terms of project preparation resources and Bank staff time.

Quality of Supervision Rating

Moderately Satisfactory

Overall Bank Performance Rating

Moderately Satisfactory

9. Assessment of Borrower Performance

a. Government Performance

The Government remained highly committed to the project and the project became effective on August 19, 2006 seven months after approval on January 17, 2006. The counterpart funds were provided in a timely fashion and there was compliance with all project covenants. The same project implementation unit team was maintained throughout project preparation and implementation phases and this helped in ensuring continuity. The government closely cooperated with the team in preparing the relevant safeguards documentation, and the Land Expropriation Law for State needs was adopted by the Decree of the President of Azerbaijan in 2010. (Discussed in section 11).

Government Performance Rating

Satisfactory

b. Implementing Agency Performance

The Road Transport Service Department (RTSD) within the Ministry of Transport (MoT) was in charge of implementing the project, with the assistance of a Project Implementing Unit (PIU). The PIU, which had already been established for implementing the ongoing Bank-financed project and was familiar with the Bank's financial and procurement procedures.

The ICR provides very little details but reports that disbursements remained low during a large part of the project due to delays in implementation of the civil works/ There were also delays associated with compliance of the financial, procurement and environmental issues.

Implementing Agency Performance Rating

Moderately Satisfactory

Overall Borrower Performance Rating

Moderately Satisfactory

10. M&E Design, Implementation, & Utilization

a. M&E Design

The key outcome indicators - the reduction in transit time, reduction in vehicle operating costs and reduction in the number of road accidents in the project roads- were appropriate. The intermediate indicators - including two for the road works activities (the number of kms of roads upgraded on Alat Masalli stretch and the number of kms of roads on the Baku-Shamakhi stretch road) and four for the technical assistance activities (preparation of the revised road transport law, number of km of road data introduced in the Road Data Bank, preparation of a Road Safety Strategy, preparation of new geometric and structural design standards and preparation of new norms for road maintenance) were appropriate.

There were no indicators for monitoring activities associated with the institutional dimension of the project, and the indicator used for improving access - increase in farm gate prices - was inappropriate.

b. M&E Implementation

The staff of the Project Implementation Unit was in charge of collection of data and monitoring performance. The Azerro Roads Service (ARS) had the required staff who were trained for collecting data for monitoring performance, and the process of collecting data was relatively straight forward. A Road Database Management System was established

c. M&E Utilization

The monitoring data was used in decision-making to adapt the scope of the project to new circumstances.

M&E Quality Rating
Modest

11. Other Issues

a. Safeguards

The project was classified as a Category 'A' project under Environmental Assessment (OP/BP4.01). Three other safeguard policies were triggered: Natural Habitat (OP/BP 4.04); Cultural Property (OP 4.11); and Involuntary Resettlement (OP/BP 4.12).
At appraisal, a Regional Environmental Review (RER), an Environmental Impact Assessment (EIA), an Environmental Management Framework (EMF) and a Resettlement Policy Framework (RPF) was prepared, and publicly disclosed. Since exact road alignments were unknown at appraisal, a RER was prepared covering the entire scope of the project and an Environmental Management Framework (EMF) was developed that outlined the procedures to be followed for environmental screening, management, consultation and disclosure, once the roads had been selected. The EMF was compatible with the national law on Environmental Protection and the guidelines contained in Azerbaijan's Environmental Impact Assessment Handbook that was consistent with international environmental assessment practices. Since the proposed highway route was through wetlands and Important Bird Areas, the safeguard policy pertaining to Natural Habitat was triggered (PAD, page 13). The original project was expected to entail expropriation of about 816 hectares of land along 136 km of roads and physical resettlement of households was also envisaged (PAD, page 17). The project's environmental category and safeguard policies remained the same for the two Additional Financings as the project continued to provide support for upgrading roads.
The ICR (page 17) notes that there were instances of non-compliance with the EIA for several contracts (such as removal of waste material, large unrestored borrow areas, poor living conditions, inadequate waste disposal system at base camps and poor patterns associated with aggregate extraction from river) and these were addressed by the implementing agency. The ICR (page 17) also notes that there were land acquisition problems with the number of land owners involved and current regulations. Changes in institutional arrangements and compensation valuation methodology for land acquisition required retrofitting some Resettlement Action Plans. and problems associated with land swaps, court cases, grievance cases, compensation rates for different lands, employment of project-affected people and employment issues with contractors. The ICR (page 17) reports that these issues were resolved through the intermediation of representatives of the Oil Workers Rights Protection Organization (OWRPO) and grievance redresses mechanisms.
The project financed the preparation of a Land Expropriation Law of Azerbaijan which was consistent with modern European practice and following the legal traditions of Azerbaijan. The Land Expropriation Law for State Needs was adopted by the Decree of the President of Azerbaijan in 2010. With this legislation, provisions of the main international financial institutions, such as the Bank's OP 4.12 requirements are now covered under national legislation of Azerbaijan (ICR, page 14).
The ICR (page 17) reports that there was Safeguards Compliance but provides no details on how much land was expropriated, on the number of people who received compensation for resettlement, or the manner in which compensation was made and whether there was compliance with safeguards on cultural property or natural habitats, what kind of measures were adopted to comply with these safeguards. There were several administrative problems on which the ICR does not give any information.

b. Fiduciary Compliance

Financial Management. At preparation, an assessment was made of the Project Implementation Unit's (PIU) capability to address financial issues. This assessment concluded that the unit's capacity was deemed to be satisfactory (PAD, page 17). The unit staff were familiar with Bank procedures as they were already implementing an ongoing project. The ICR (page 18) notes that although there were delays associated with timely submission of audits and financial management reports during implementation, there was compliance with financial management. The ICR however provides no details on the quality of audits.
Procurement. Although the PIU had experience with the Bank's procurement guidelines, an assessment conducted at appraisal indicated the procurement risk as high, and identified the need for reinforcing the unit's procurement capacity through hiring additional procurement specialists, with experience in multilateral-bank financed procurement issues in the road sector. The PAD (page 17) notes that two additional specialists were hired at the preparation stage, and these specialists were trained immediately after the project became effective. The ICR (page 18) reports that compliance with procurement management was deemed to be satisfactory. There were no major issues in the procurement process and no cases of mis-procurement during the project execution phase.

c. Unintended impacts (Positive or Negative)

---

d. Other

---

12. Ratings

Ratings	ICR	IEG	Reason for Disagreements/Comment
Outcome	Satisfactory	Moderately Satisfactory	Relevance of Objective was rated as High and relevance of design was rated as Modest. Efficacy of the four objectives was rated as Substantial. Efficiency was rated as Modest.
Risk to Development Outcome	Modest	Modest	---
Bank Performance	Satisfactory	Moderately Satisfactory	---
Borrower Performance	Moderately Satisfactory	Moderately Satisfactory	---
Quality of ICR		Modest	---

Note
When insufficient information is provided by the Bank for IEG to arrive at a clear rating, IEG will downgrade the relevant ratings as warranted beginning July 1, 2006.
The "Reason for Disagreement/Comments" column could cross-reference other sections of the ICR Review, as appropriate.

13. Lessons

The ICR draws the following main lessons from implementing the project..
(1) **The management of a large road investment project requires special attention.** This project envisioned implementation in phases. While implementing a large road investment in phases may aid in tackling other issues not foreseen on the original design, they can contribute to bringing uncertainties that require special attention. Further, having two additional financings nearly doubled the efforts in terms of project preparation resources and Bank staff time.
(2) **Land acquisition legislation and implementation practices needs to be addressed in a timely fashion to avoid delays in project implementation.**
(3) **It is necessary to have detailed design at preparation.** In the case of this project, detailed design for only 22 km of roads (out of the originally planned 242 km of the highways) were ready at preparation and detailed design for the rest of the roads network were to be prepared. The quality of engineering designs and bid documents that were prepared at entry required additional or revised designs and this in turn contributed to underestimation of project cost.

14. Assessment Recommended?

No

15. Comments on Quality of ICR

The ICR is concise and provides a candid description of the problems encountered in the implementation phase. It also provides a clear description of the land acquisition issues that arose during implementation. The description of the various restructurings provided in different parts of the text is confusing and better clarity in discussion could have helped in making the issues clear to the reader. The quality of the evidence provided for justifying the ratings is thin. Considering that it was a category A project and four safeguard policies were triggered, the ICR provides few details of how the project complied with safeguards (such as in terms of how much land was expropriated, the number of resettled and what kind of compensation was made to the resettled and whether there were issues pertaining to cultural property and land habitats.) The ICR could have drawn better lessons from the experience of implementing this project.

a. Quality of ICR Rating
Modest