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PROJECT PERFORMANCE ASSESSMENT REPORT

GEORGIA

ROADS PROJECT (Cr. 3357-GE) AND TRANSPORT MINISTRY RESTRUCTURING (Cr.3129-GE)

March 12, 2008

Sector, Thematic and Global Evaluation Division
Independent Evaluation Group (World Bank)

Currency Equivalents (annual averages)

Currency Unit = Georgian Lari (GEL.)

Year	US$	GEL.	Year	US$	GEL.
-	-	-	2002	1.00	2.194
1997	1.00	1.300	2003	1.00	2.146
1998	1.00	1.391	2004	1.00	1.917
1999	1.00	2.021	2005	1.00	1.813
2000	1.00	1.976	2006	1.00	1.700
2001	1.00	2.072	2007	1.00	1.613

Abbreviations and Acronyms

CAS	Country Assistance Strategy
ERR	Economic Rate of Return
GDP	Gross Domestic Product
GDRMED	General Directorate of Roads under the Ministry of Economic Dev.
GOG	Government of Georgia
HDM-4	Highway Development Management Model
ICR	Implementation Completion Report
IDA	International Development Association
LIC	Learning and Innovation Credit
MOT	Ministry of Transport
PAD	Project Appraisal Document
PIU	Project Implementation Unit
PPAR	Project Performance Assessment Report
QAG	Quality Assurance Group
SDRG	State Department of Roads of Georgia
TA	Technical Assistance
TRRC	Transport Reform and Rehabilitation Costs
VOC	Vehicle Operating Costs

Fiscal Year

Government: January 1 – December 31

Director-General, Independent Evaluation	:	Mr. Vinod Thomas
Director, Independent Evaluation Group (World Bank)	:	Ms. Cheryl Gray
Manager, Sector, Thematic and Global Evaluation	:	Ms. Soniya Carvalho (Acting)
Task Manager	:	Mr. Peter Freeman

IEGWB Mission: Enhancing development effectiveness through excellence and independence in evaluation.

About this Report

The Independent Evaluation Group assesses the programs and activities of the World Bank for two purposes: first, to ensure the integrity of the Bank's self-evaluation process and to verify that the Bank's work is producing the expected results, and second, to help develop improved directions, policies, and procedures through the dissemination of lessons drawn from experience. As part of this work, IEGWB annually assesses about 25 percent of the Bank's lending operations through field work. In selecting operations for assessment, preference is given to those that are innovative, large, or complex; those that are relevant to upcoming studies or country evaluations; those for which Executive Directors or Bank management have requested assessments; and those that are likely to generate important lessons.

To prepare a Project Performance Assessment Report (PPAR), IEGWB staff examine project files and other documents, interview operational staff, visit the borrowing country to discuss the operation with the government, and other in-country stakeholders, and interview Bank staff and other donor agency staff both at headquarters and in local offices as appropriate.

Each PPAR is subject to internal IEGWB peer review, Panel review, and management approval. Once cleared internally, the PPAR is commented on by the responsible Bank department. IEGWB incorporates the comments as relevant. The completed PPAR is then sent to the borrower for review; the borrowers' comments are attached to the document that is sent to the Bank's Board of Executive Directors. After an assessment report has been sent to the Board, it is disclosed to the public.

About the IEGWB Rating System

IEGWB's use of multiple evaluation methods offers both rigor and a necessary level of flexibility to adapt to lending instrument, project design, or sectoral approach. IEGWB evaluators all apply the same basic method to arrive at their project ratings. Following is the definition and rating scale used for each evaluation criterion (additional information is available on the IEGWB website: http://worldbank.org/ieg).

Outcome: The extent to which the operation's major relevant objectives were achieved, or are expected to be achieved, efficiently. The rating has three dimensions: relevance, efficacy, and efficiency. *Relevance* includes relevance of objectives and relevance of design. Relevance of objectives is the extent to which the project's objectives are consistent with the country's current development priorities and with current Bank country and sectoral assistance strategies and corporate goals (expressed in Poverty Reduction Strategy Papers, Country Assistance Strategies, Sector Strategy Papers, Operational Policies). Relevance of design is the extent to which the project's design is consistent with the stated objectives. *Efficacy* is the extent to which the project's objectives were achieved, or are expected to be achieved, taking into account their relative importance. *Efficiency* is the extent to which the project achieved, or is expected to achieve, a return higher than the opportunity cost of capital and benefits at least cost compared to alternatives. The efficiency dimension generally is not applied to adjustment operations. *Possible ratings for Outcome:* Highly Satisfactory, Satisfactory, Moderately Satisfactory, Moderately Unsatisfactory, Unsatisfactory, Highly Unsatisfactory.

Risk to Development Outcome: The risk, at the time of evaluation, that development outcomes (or expected outcomes) will not be maintained (or realized). *Possible ratings for Risk to Development Outcome:* High Significant, Moderate, Negligible to Low, Not Evaluable.

Bank Performance: The extent to which services provided by the Bank ensured quality at entry of the operation and supported effective implementation through appropriate supervision (including ensuring adequate transition arrangements for regular operation of supported activities after loan/credit closing, toward the achievement of development outcomes. The rating has two dimensions: quality at entry and quality of supervision. *Possible ratings for Bank Performance:* Highly Satisfactory, Satisfactory, Moderately Satisfactory, Moderately Unsatisfactory, Unsatisfactory, Highly Unsatisfactory.

Borrower Performance: The extent to which the borrower (including the government and implementing agency or agencies) ensured quality of preparation and implementation, and complied with covenants and agreements, toward the achievement of development outcomes. The rating has two dimensions: government performance and implementing agency(ies) performance. *Possible ratings for Borrower Performance:* Highly Satisfactory, Satisfactory, Moderately Satisfactory, Moderately Unsatisfactory, Unsatisfactory, Highly Unsatisfactory.

Contents

Principal Ratings......v

Key Staff Responsible......v

Preface...... vii

Summary...... viii

1. Background and Context 1

2. The Projects......2

3. Implementation Issues......4

4. Summary of Results......13

***5.* Lessons Learned from the Projects**......20

Annex A. Basic Data Sheets 21

Annex B. Statistics 25

This report was prepared by Thomas Kennedy, consultant, who assessed the project in September/October 2007. Romayne Pereira provided administrative support and Peter Freeman was the task manager.

Principal Ratings

Roads Project (Credit 3357-GE)

	*ICR**	*ICR Review**	*PPAR*
Outcome	Satisfactory	Moderately Satisfactory	Moderately Satisfactory
Institutional Development Impact**	Modest	Modest	-
Risk to Development Outcome	-	-	Moderate
Sustainability***	Likely	Likely	-
Bank Performance	Satisfactory	Satisfactory	Moderately Satisfactory
Borrower Performance	Satisfactory	Satisfactory	Moderately Satisfactory

Transport Ministry Restructuring Project (Credit 3129-GE)

	*ICR**	*ICR Review**	*PPAR*
Outcome	Satisfactory	Satisfactory	Moderately Satisfactory
Institutional Development Impact**	Substantial	Substantial	-
Risk to Development Outcome	-	-	Moderate
Sustainability***	Likely	Likely	-
Bank Performance	Satisfactory	Satisfactory	Moderately Satisfactory
Borrower Performance	Satisfactory	Satisfactory	Satisfactory

Key Staff Responsible

Roads Project (Credit 3357-GE)

Project	*Task Manager /Leader*	*Division Chief/ Sector Director*	*Country Director*
Appraisal	Antti P. Talvitie	Ricardo A. Halperin	Judy M. O'Connor
Completion	Olivier Le Ber	Peter D. Thomson	D-M Dowsett-Coirolo

Transport Ministry Restructuring Project (Credit 3129-GE)

Project	*Task Manager /Leader*	*Division Chief/ Sector Director*	*Country Director*
Appraisal	Pedro Taborga	Eva Molnar	Judy M. O'Connor
Completion	Antti P. Talvitie	Eva Molnar	D-M Dowsett-Coirolo

* The Implementation Completion Report (ICR) is a self-evaluation by the responsible Bank department. The ICR Review is an intermediate IEGWB product that seeks to independently verify the findings of the ICR.
**As of July 1, 2006, Institutional Development Impact is assessed as part of the Outcome rating.
***As of July 1, 2006, Sustainability has been replaced by Risk to Development Outcome. As the scales are different, the ratings are not directly comparable.

Preface

This is the Project Performance Assessment Report (PPAR) for the *Roads Project* (Cr. 3357-GE) and *Transport Ministry Restructuring Project* (Cr. 3129-GE) in Georgia. For the Roads Project, the World Bank Board of Directors approved a credit in the amount of US$ 40.00 million on May 25, 2000. The credit was closed on December 31, 2005, one year later than planned, with a final amount of US $ 41.1 million. Total project cost at appraisal was US$ 55.00 million and at closure US$ 57.2 million. Any differences between the initial and final amounts were due to variations in exchange rates. Virtually all the funds were disbursed in the credit (US$ 0.03 million was cancelled). The primary reason for the delay in completion was heavy rains causing mudflows on a section of road under rehabilitation, requiring that the project completion date be extended to the end of the 2005 construction season.

The Transport Ministry Restructuring Project was a Learning and Innovation Credit (LIC) of US$ 2.3 million approved by the Board of Directors on September 3, 1998; the credit was closed on June 30, 2003, about two and a half years later than planned in the amount of US$ 2.1 million. US$ 0.2 million was undisbursed and subsequently cancelled. Total project costs at appraisal and completion were US$ 2.5 million and US$ 2.3 million respectively. The primary reason for the late completion was administrative because of the new government's decision to combine the Ministry of Transport with the Ministry of Communications. There was a need for Parliament to approve this combination of ministries as well as the restructuring proposals resulting from the project. The projects are of particular interest because of the lessons to be learned from the restructuring of the Ministry towards operational autonomy and accountability, issues regarding sufficiency of funds for road maintenance, and development of the local private road construction industry and transport sector.

This PPAR is based on a review of project documents, including the Implementation Completion Reports (ICR), Project Appraisal Documents (PAD), Memoranda to the President, legal documents, project files, and discussions held with Bank staff involved in the projects both in Tbilisi and Washington DC. An IEG mission visited Georgia in September/October 2007 to review project results and meet with individuals including national officials and experts, local officials and project staff. Meetings were arranged in Tbilisi with the assistance of the World Bank Resident Mission, and the Transport Reform and Rehabilitation Center (TRRC). The program included discussions with transport officials of the Ministry of Economic Development, the Roads Department, the Municipal Development Fund, the municipality of Tbilisi, non-government organizations, road transport operators, the Georgian International Road Carriers Association, Association of Freight Forwarders as well as Bank staff familiar with the projects' conception and implementation. In addition, a field visit was made to the site of many of the road improvements on the main road between Tbilisi and the Black Sea ports of Poti and Batumi. We gratefully acknowledge the courtesies and attention given by all concerned in these arrangements.

Following standard IEG procedures, copies of the draft PPAR was sent to government officials and agencies for their review but no comments were received.

Summary

This is the Project Performance Assessment Report (PPAR) of the Georgia Roads Project (Cr 3357-GE) and the Transport Ministry Restructuring Project, Learning and Innovation Credit (Cr 3129-GE), approved in 2000 and 1998 respectively.

Following independence in 1991, Georgia experienced a number of armed internal conflicts resulting from secessionist movements in South Ossetia and Abkhazia which erupted into a brief civil war. By 1994 Georgia emerged from these conflicts with a distressed economy, with GDP dropping by 30 percent in one year. This compounded the difficult transition process to a market-oriented economy.

During 1995 there was an exodus by many government employees to join the rapidly-growing private sector. This seriously reduced the institutional capacity of the public service, and in turn exacerbated the problems in the transport sector. Under these difficult circumstances, the Bank assisted in funding emergency repairs to the transport network and began to assist with the restructuring of ministries and other governmental institutions to increase efficiency and to transition the government structures and culture from the old command-style administrative structure to one more suited to a growing market economy.

The objectives of the Roads Project were i) a reduction in road transport costs and improvement of access along Georgia's major traffic corridors; ii) to provide a steady and adequate level of funding for road maintenance based on charges related to road use and access; and iii) to improve the management and effectiveness of the entire road network through the institutional strengthening of the State Department of Roads of Georgia and the development of the private road construction industry.

The objectives of the Transport Ministry Restructuring Project were: i) to transform the traditional command-style ministerial structure into a policy formulation and relatively deregulated entity serving the transport sector appropriate for a market economy; and ii) to define and contribute to the achievement of operational autonomy and accountability of the transport agencies (State Departments). Since this was a Learning and Innovation Project it was expected that it would be a valuable learning tool for the wider public service reform agenda in Georgia.

The overall outcome of the Roads Project is rated **Moderately Satisfactory**, because several of the institutional improvement components were only completed or finalized after credit closure under subsequent projects. The substantial rehabilitation work was carried out successfully and resulted in considerable vehicle operating cost savings. A direct road user system was not introduced, but there was a real and very significant increase in the funds for road maintenance, and an evident improvement in general road network condition. In the Transport Ministry Restructuring Project the ministry was re-organized, new statutes were enacted, and staff numbers were reduced. Road transport companies were privatized and appropriate modal oversight agencies were established. However, the failure to link these achievements to measurable indicators of

learning progress, which is critical in a Learning and Innovation Project, also led to a **Moderately Satisfactory** rating.

Existing institutional capacity was rather weak during the early phases of both projects, and there was initially considerable resistance towards implementation of new road management techniques that were a radical departure from past practices. But this situation changed after the "Rose" revolution during 2003 when the new government embraced reform and in due course began to implement most of the road management recommendations proposed under the Roads Project.

The risk to development outcome is rated **Moderate** for both projects. On the one hand, the new government has fully accepted the institutional improvements that were problematic during early implementation, but on the other hand political stability is not yet fully assured—a fact recently emphasized by the imposition of a state of emergency during November 2007. Nevertheless, many of the reforms are likely irreversible.

Bank performance is rated as **Moderately Satisfactory** for both projects. The Bank could have identified the lack of commitment in the Roads Project to road management reform at an earlier stage and taken more vigorous and timely corrective action. Instead, it chose to focus more on the engineering works—a situation that was not helped by frequent changes in task team leadership. In the Learning and Innovation Restructuring Project the Bank failed to include a monitoring and evaluation component in the project design which is of particular importance for the purpose of such loans.

Performance of the Borrower for the Roads Project is rated as **Moderately Satisfactory**. While the Government of Georgia was always open to discussions about the project and its components, limited progress was made on the reform component until the change in administration in 2003. The implementing agency was at first not convinced that the Bank's recommendations were priorities, particularly those aimed at changes in culture towards efficiency and transparency, and to adopting modern road design standards. The Borrower's performance for the Transport Ministry Restructuring Project is rated as **Satisfactory** since the process of transformation took place as planned, and in a cooperative spirit.

Lessons Learned

The following lessons are derived from these projects:

- Particular attention should be paid during preparation to the degree of commitment by government to implement reforms discussed. Stated commitments should be backed up with Letters of Intent;

- During supervision the Bank should be perceptive to reasons for tardiness in the implementation of reform components of the project, so that intervention can be made earlier if need be, and at an appropriate level;

- Institutional reform needs to be backed up by a professionally designed training program in which the participants can understand the strategic direction of the overall reform process, and their role within it;

- Learning and Innovation Projects such as the Transport Ministry Restructuring Project should be designed to achieve a higher level of monitoring and evaluation for learning purposes than that expected of other projects, with key performance indicators and measurable outcomes to support future adjustments in direction.

Vinod Thomas
Director-General
Evaluation

1. Background and Context

1.1 Following independence in 1991, Georgia experienced a number of armed internal conflicts resulting from secessionist movements in South Ossetia and Abkhazia which erupted into a brief civil war. By 1994 Georgia emerged from these conflicts with a collapsed economy, GDP had dropped by 30 percent in single year and government revenues had fallen from 30 percent of GDP to 2 percent. Financing the resulting huge government deficits led to hyperinflation and a severe drop in the value of the local currency. In addition to the negative impacts on the economy, unavoidable sharp cuts in public expenditure precipitated a rapid decline in the condition of most transport and urban infrastructure, as funding for capital investment and maintenance was virtually non-existent. This severely constrained the difficult transition process to a market-oriented economy.

1.2 During 1995 there was an exodus by many government employees to join the rapidly-growing private sector. This seriously reduced the institutional capacity of the public service and in turn exacerbated the problems in the transport sector. While the contraction in the civil service was in reality a desired objective in the process to transform the administrative structures from those of a command-style planned economy to those of market-driven institutions, the spontaneous departure of so many trained and able staff at once, created great difficulties and severely weakened the ability of the government to provide essential services.

1.3 By 2000, GDP growth had begun to recover with a corresponding increase in the tonnages moved by road and rail. Evidence of this is shown in the graphs included in Annex B of this report, which also includes some key social and demographic indicators.

1.4 Both projects were consistent with the priorities of the Bank and the Government of Georgia (GOG) during the 1990's and most of these priorities are still valid today. They included support to the reform process in key areas such as macroeconomic stabilization, strengthening the institutional capacity of GOG, and providing a social safety net to alleviate the impact of the economic and social disintegration of the early 1990's. In addition, the Bank financed the provision of emergency support to prevent further deterioration of infrastructure. The Country Assistance Strategy (CAS) 1998-2005 had an overall goal of achieving per capita growth, poverty reduction and improved living standards.

1.5 GOG's development agenda throughout the 1990's and after 2000 focused on stabilization, structural reform and emergency interventions in order to prevent an irreversible degradation of infrastructure. During the late 1990's the economy showed signs of strengthening, but this growth could not be sustained without also improving the dilapidated state of infrastructure, especially in the field of transport. Furthermore, the government strove to increase the revenue performance and privatization of transport entities.

1.6 The projects assessed in this PPAR supported the government's objectives by improving transport infrastructure, increasing the participation and competitiveness of the private sector in road transportation, improving the management of maintenance activities, and through restructuring the MOT to separate the policy and administrative functions. Both projects are of particular interest because of the lessons to be learned from the restructuring of the Ministry towards operational autonomy and accountability, issues regarding sufficiency of funds for road maintenance, and development of the local private road construction industry and transport sector.

2. The Projects

PROJECT OBJECTIVES AND COMPONENTS

2.1 The objectives of the Roads Project were straightforward, but it was recognized up-front that the needed institutional strengthening would be a gradual process. The Transport Ministry Restructuring Project, however, utilized a Learning and Innovation Credit (LIC) instrument to expedite progress and learning in the difficult area of organizational change. IEG concurs that this was an appropriate strategy to follow, but in this assessment notes that the particular importance of strong monitoring and evaluation (M&E) in the project design of a LIC was not pursued.

2.2 After approval of the LIC the GOG made a decision to combine the Ministries of Transport and Communications, which resulted in some modifications to the description of individual components of the Restructuring Project, but with no implications for either the development objectives or the costs.

Boxes: 1 and 2 below summarize the two projects' objectives and components:

Box 1. Summary of Project Objectives and Components: Roads Project (Cr. 3357)

Objectives	Components
1. Reduce road transport costs and improve access in major traffic corridors	• Periodic maintenance and repair of priority sections of main road network including drainage, upgrading and surface treatment. • Rehabilitate sections of the main road network and related improvements in shoulders, road markings and signs • Reconstruct two bridges
2. Provide steady and adequate level of funding for road maintenance based on charges related to road use and access 3. Improve management and effectiveness of the road network by strengthening the state road dept. and develop private road construction industry.	• Strengthen institutional capacity of state roads department, modernize road fund and road user charges, develop traffic safety program, install pavement management system and road data bank, update technical specifications to international standards, install financial management system, improve contract maintenance, plan sector performance indicators, training and fund financial audits and equipment. • Incremental operating costs for project management

Box 2. Summary of Project Objectives and Components: Transport Ministry Restructuring (Cr. 3129)

1. Transform a soviet style ministerial structure into the transport sector's policy formulation and deregulation entity needed in a market economy.	• Restructuring the Ministry of Transport. i) new organization for market economy; ii) draft new laws for MOT to guarantee their independent and commercial operations and accountability; iii) determine information flows within transport sector and iv) institutionalize merit based recruitment and promotion procedures in MOT. • Information technology for the MOT. Includes hardware, software and training • Refurbish MOT building
2. Define and contribute to the achievement of operational autonomy and accountability of the transport agencies (state departments)	• Training of MOT staff and Georgian decision-makers. Includes training of new staff, establishment of information center on international transport publications and study tours for MOT officials

Source: ICR and PAD reports

PROJECT FINANCE

2.3 At first sight, the total costs for the Roads Project at project completion appear higher than at appraisal (see Table 1), but some gains arose from favorable variations in the dollar/SDR exchange rate during the implementation period.

Table 1: Project Cost by Component – Roads Project (US$ millions)

Component	Appraisal Bank	Appraisal Govt.	Actual Bank	Actual Govt.
1. Periodic maintenance and repair.	11.22	4.85	11.77	5.03
2. Rehabilitation of sections of the main road network.	19.68	8.48	19.95	8.53
3. Reconstruction of two bridges	3.60	1.45	2.46	1.05
4. Strengthen institutional capacity of state roads department; modernize road fund and road user charges.	5.00	0.12	6.28	1.29
5. Incremental operating costs for project management	0.30	0.10	0.64	0.20
Total	**40.00**	**15.00**	**41.10**	**16.10**

Source: World Bank data

2.4 The actual cost of the Transport Ministry Restructuring Project was $2.30 million compared with the appraisal estimate of $2.50 million (see Table 2). Based on available records, it was not possible to show detailed costs for each component of this project - the most consistent cost breakdown was for civil works ($0.35 million as per appraisal and $0.35 million actual); for goods ($0.60 million at appraisal and $0.53 million actual) and for consultancy services ($1.55 million at appraisal and $1.42 million actual).

Table 2: Project Cost by Component – Transport Ministry Restructuring (US$ millions)

Components	Appraisal Bank	Appraisal Govt.	Actual Bank	Actual Govt.
Civil works for MOT building	0.27	0.08	0.26	0.09
Technical consulting services for project management and capacity building/training	1.55	0.00	1.37	0.05
Computer equipment	0.52	0.08	0.50	0.03
Total	**2.34**	**0.16**	**2.13**	**0.17**

Source: World Bank data

3. Implementation Issues

Roads Project (Cr 3367)

ROAD REFORM

3.1 The implementation of the institutional strengthening component of the Roads Project was only partially achieved prior to closure as it was not perceived as a priority by the executing agency or GOG. The General Directorate of Roads under the Ministry of Economic Development (GDRMED) was eager to implement the civil works, but was initially reluctant to depart from many of the construction and maintenance standards and practices traditionally used in the soviet system. There were indications during the course of the project that the government did not fully grasp that the stated objective aimed at changes in the culture to achieve greater efficiency and that better management was a priority. This may have been a symptom of "reform fatigue" or just an indication that the process of transforming centrally-planned institutions often takes more time than anticipated—certainly longer than the duration of a single project. The IEG Mission considers that it was too optimistic to have expected such difficult reforms to be completed within the lifespan of this project. Serious progress only began to occur after the change in government in 2003 when much more willingness was shown to accept modern, cost efficient practices.

3.2 One of the stated development objectives was "to provide a steady and adequate level of funding for road maintenance based on charges related to road use and road access". The instruments that were to be implemented for the management of the road network were designed to project the amount of road user charges that should be recovered from each vehicle type and to implement a revised schedule of road user charges. However, as the Road Fund concept was rejected by the new government in favor of multi-year programming, these efforts at adjusting road user charges by type of vehicle were not implemented. Thus, although there has been a large increase in the amount of money made available from the Treasury for road maintenance, a road user charging system paid by vehicle operators based on road usage has not been accomplished. This has some implications for risk which are discussed later.

3.3 When GOG took the decision to discontinue the idea of the Road Fund, the Bank objected and subsequent discussions resulted in a Policy Letter from the Government[1] with a commitment to provide sufficient funds for the maintenance of roads, setting out the budget allocation from Treasury for the road sector operations for financial years 2005-2008. However, the relevant development objective was not amended.

3.4 Based on the Road User Charges Study, carried out under the Roads Project, the current amount of maintenance funding for roads is now well above the minimum to maintain the assets and has accordingly enabled the general condition of the network as a whole to be steadily improved. An estimated GEL 85-90 million would have been required each year, but actual allocations for road maintenance have been GEL 108 million during 2005, 110 million in 2006 and 170 million in 2007. There is a provision in the Development Credit Agreement that obligates the government to "allocate resources to road maintenance activities at a level that will not be less than the level of the State Department of Roads of Georgia's (SDRG) budget for the year 1999, adjusted each year by the same proportion as the increase or decrease in the Borrower's overall revenue collections". While the increase in road maintenance budget allocations did not quite equal the significant increase in governmental revenues (actual amounts are shown in Annex B), as per the provision in the Development Credit Agreement, the annual amounts since 2004 have far exceeded the amounts promised in the Government Policy Letter as well as the amount estimated to be required to adequately maintain the country's

1. Letter dated September 19, 2004; it should be noted, however, that it is the prerogative of government to decide on an acceptable system of road user cost recovery. Most European governments favor multi year budgeting to dedicated funds.

road network.

3.5 There was also a road safety component of the Roads Project—this was not addressed before the project's closure, but it is now a component of the East/West Highway Project under implementation. However, the more critical component of the project was to provide adequate funding for road maintenance and, as noted, this was fully achieved.

IMPACT ON ROAD USERS

3.6 A consequence of this higher level of maintenance funding, as well as the involvement of the Bank in financing and improvements to the main and secondary roads has been a steady improvement of the general road condition throughout the country. Figures 1 and 2 show how the road condition in the country has improved since 1995.

Figure 1: Condition of Main Roads in Georgia 1995-2007

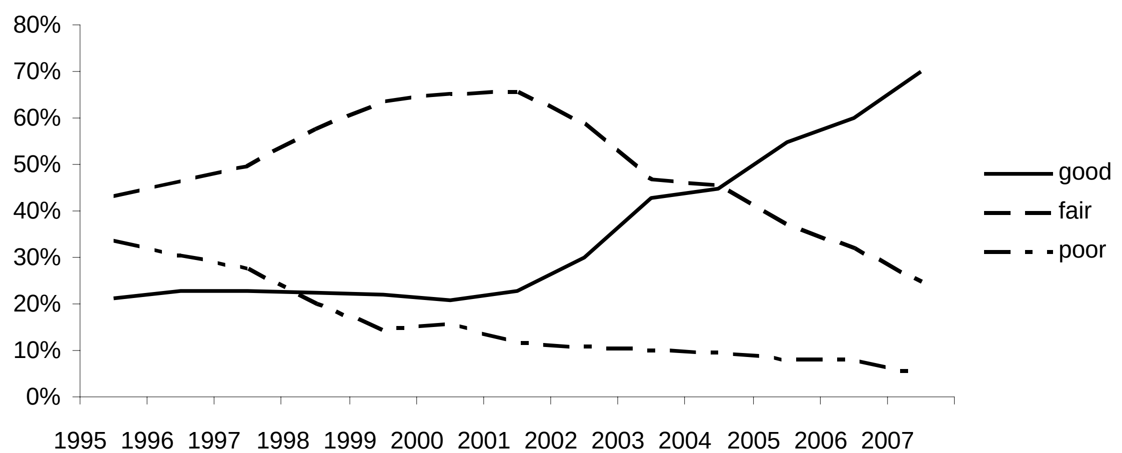
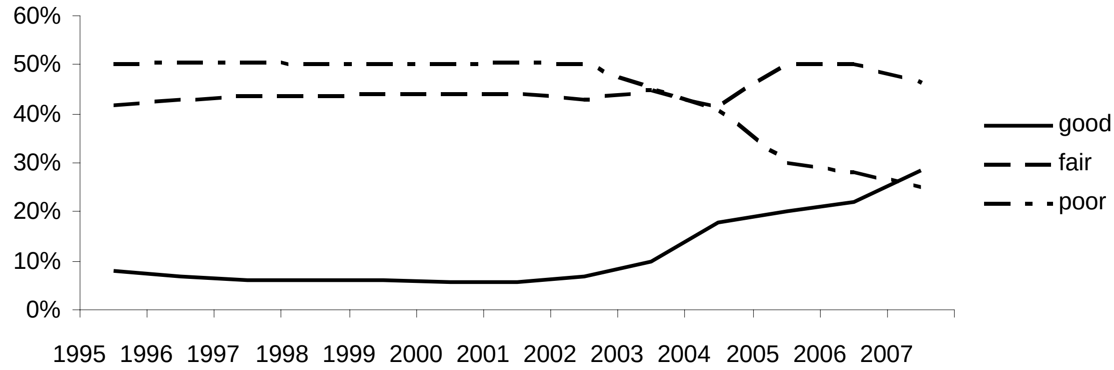


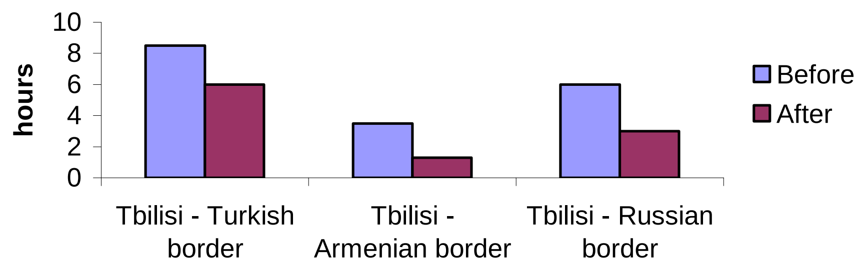
Figure 2: Condition of Secondary Roads in Georgia 1995-2007



Source: Roads Departments

3.7 One of the impacts of road infrastructure improvements was a reduction in driving times for road users of the major routes in Georgia; these time savings are summarized in Figure 3. This information was obtained by IEG from representatives of the Georgia Road Transporters Association, based on information obtained from their membership.

Figure 3: Driving Times Before and After Road Rehabilitation



Source: Georgian International Road Carriers Association

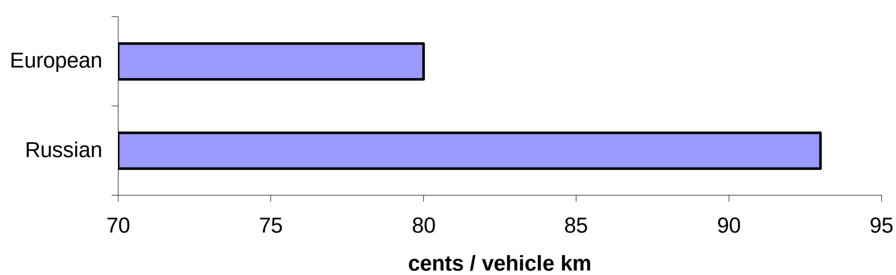
3.8 This transit time saving has been due to both an improvement of the roads and a reduction in the incidences of the traffic police stopping vehicles to extract illegal payments. This practice was virtually ended during the implementation of the Bank-funded projects, but this was not directly due to the Bank's project intervention. It was rather the result of the government's drive against corruption—a goal that was of course strongly supported by the Bank. Road users[2] were asked about the nature of impediments to road transport in the country. They responded that there had been considerable savings in transit time and that the amount of illegal payments had fallen dramatically. The IEG mission obtained statistics from freight forwarding representatives indicating that the

2. Members of the Georgia Freight Forwarders Association as well as the Road Transporters Association

prevention of most of these illegal payments saved on average about US$300 per trip between Poti and the Azerbaijan border. After the removal of the police interference, such payments have fallen on average to US$50 per trip. This amounts to approximately US$0.62 per vehicle km savings in trip costs.

3.9 A direct benefit of the Bank's road improvement program was a reduction in vehicle operating costs (VOC) for operators as well as improvements in vehicle utilization. Based on discussions with the Georgian International Road Carriers Association, the primary benefits of the Bank's road improvement program were to reduce VOCs, increase vehicle utilization and reduce driving times. A reduction in VOCs was primarily due to the ability of truckers to operate more efficient vehicles—prior to road improvements because of the rough roads it was not economical to purchase European-specification trucks even though they were more fuel-efficient than their Russian counterparts. The rough roads caused considerable damage to newer vehicles, making their acquisition impractical. Improvement in the fuel efficiency of modern trucks compared with the Russian vehicles is about 45 percent.[3] Applying this efficiency improvement to existing VOCs in Georgia (about US$0.80 per vehicle km) the saving is about 16 percent (if the older Russian trucks were operating now, it is estimated that the VOCs would be about US$0.93 per vehicle km). These VOC savings are shown in Figure 4 for vehicles of both Russian and European manufacture.

Figure 4: Vehicle Operating Costs



Source: Georgian International Road Carriers Association

3.10 Vehicle utilization has also improved as a result of shorter driving times. For example, before the road improvement programs, vehicles could make only about three or four round trips per month between Poti and Yerevan. Now after the rehabilitation, seven trips per month are typical. A portion of these savings in vehicle utilization is due to other factors as well, such as improved transit times at the border as well as fewer stops en route by traffic police, but the road improvement program had the major influence in the improvement in utilization.

3. According to the Georgian road transporters, fuel consumption of Russian trucks is between 55 and 60 liters per 100 km; fuel consumption of modern European vehicles (primarily Mercedes) is about 38 liters per km. At the present time vehicle operating costs in Georgia are approximately $0.80 per vehicle km and fuel comprises about 40 percent of this cost.

OTHER OPERATIONAL AND MAINTENANCE ISSUES

3.11 At the beginning of the project, it was not clear whether there would be sufficient funding for maintenance; however, as a result of the Policy Letter prepared by the government at the request of the Bank, during subsequent years after completion, adequate funding for road maintenance has been allocated from the Treasury each year. There is no guarantee, of course, that this will continue, but as of the latter part of 2007, there appears to be no problem with the provision of sufficient maintenance funding. The sustainability of these funding levels depends, however, on the continuation of the policies of the existing government. The quality of the work performed under the contract was deemed to be highly satisfactory. No safeguard issues were triggered and an appropriate environmental plan was developed.

3.12 While many of the institutional improvements in the Ministry were not implemented during the Roads Project, most were eventually adopted by the GOG after the “Rose” Revolution, when there was a better understanding of what the Roads Project was trying to achieve. For example, a priority of the new government was to improve road infrastructure, at the lowest cost. The GOG came to realize that by adopting modern road design standards, a road could be build at a much lower cost and still have sufficient strength to support anticipated traffic. The Bank’s current improvement project of the East/West road is being undertaken using such modern road design standards. In addition, the government has agreed to accept the technical assistance (TA) element of the current East/West Highway project to include HDM-4[4] training, law enforcement, a new Roads Law and appropriate standards for bidding documents. Moreover, the Secondary and Local Roads Project has a TA component for further HDM-4 training directed towards improved maintenance planning. The Roads Department is now following World Bank guidelines and procedures for contracting for road improvements even for domestically - funded work.

MONITORING AND EVALUATION

3.13 There are three assessments for rating the project’s M&E quality: its design, implementation and utilization. A comprehensive list of key indicators was given in the Roads Project PAD, but most were rather general and only one indicator was quantified. This, however, was typically the practice at that time in similar projects.

3.14 *M&E Design*. With regard to the design, the mission gave a *modest* rating. The one key indicator that was quantified stated that there should be a reduction of road transport costs by 15 percent as a result of the road improvements. Other outcomes were listed as either achieved or not achieved. For example one outcome listed was “revised and efficient road user charges”, but with the move away from the idea of the Road Fund, the concept of a system of road user charges for each vehicle type consistent with the damage caused was abandoned.

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4. Highway Development Management Model

3.15 The project components included the privatization of road maintenance. A key indicator here should have been the extent of the reduction in road maintenance costs coupled with a reduction in Roads Department staff, leading to an increase in efficiency. IEG attempted to determine if there was any reduction in maintenance costs, but historical data prior to 2000 were unavailable. Had this been included as a key indicator and discussed with the Ministry, the data may well have been collected and made available.

3.16 *M&E Implementation.* Implementation of M&E was considered by IEG to be *modest*. A key performance indicator was to enable local contractors to have the capacity to compete for civil works contracts. This was fully achieved, and all maintenance work is now performed by private contractors. However, IEG could not find evidence that this privatization of maintenance resulted in increased efficiency or reduced the cost of maintenance to the Roads Department. The indicator of "improved resource allocation" in the road sector was rated as "significantly achieved" in the ICR. But the mission could find no evidence of this. It could have been achieved if the proposed system of road user charges had been implemented, but this did not happen.

3.17 Other key indicators were essentially a checklist of outputs, and while many of these, particularly for institutional improvements, were rated as "not achieved" or "partially achieved" in the ICR, the mission has noted that some were eventually achieved after closure of the project.

3.18 *M&E Utilization*. During discussions in Georgia as well as based on a review of project documentation, there was no evidence that the M&E findings were communicated to stakeholders. The outcome/impact indicators, as shown in the ICR for the project, indicated primarily achievement of outputs; the one indicator that claimed a 15 percent reduction in road transport costs was not demonstrated in the ICR. The mission considers the utilization rating to be *negligible*.

3.19 *Overall M&E Quality Rating*. As the ratings for M&E design and implementation were rated modest, and utilization negligible, the overall rating is rated as *modest.* The M&E indicators had many weaknesses and consisted essentially of restating the project components and objectives because of a lack of quantification. They had only a modest impact on the successful monitoring of the outcomes of the project.

Restructuring of the Ministry of Transport (Cr. 3129)

REORGANIZATIONAL ISSUES

3.20 The MOT was reorganized according to the project recommendations in order to better define duties and responsibilities and to establish a structure compatible with the growing market economy. However, just after project approval, the government amalgamated the Ministries of Transport and Communications and both of these ministries were subsequently merged with the Ministry of Economy. The reorganization was completed and the Transport Department now has 15 staff dealing with policy issues.

Regulatory matters for road, maritime and civil aviation are the responsibility of the United Transport Administration (87 people) and maintenance, design and construction are the responsibility of the Roads Department, with about 100 staff. The original objective of the project was to reduce the MOT staff to less than 100 people; however, with the reorganization, the validity of this recommended staffing level has been obscured. The IEG mission considers that the existing staff complement of 15 people at the Ministry of Economy dealing with transport policy matters is appropriate and sufficient and notes that the line agencies have been separated. The timing of the restructuring somewhat compromised the efficiency of the project. If GOG had expressed its intent to restructure the ministries at the time the project was designed, more efficiency in the execution of the project could have been achieved.

3.21 While the objectives of the project were substantially attained, strong support for the institutional strengthening capacity component by GOG was somewhat lacking throughout implementation. In fact, a letter from the Team Leader to the World Bank Country Director for Georgia in November 2001 (the original closing date was December 31, 2000) stated that "uneven progress has been made toward this ambitious (restructuring) objective"[5] As of October 2002, nearly two years after the original closing date for the project, only 40.4 percent of the credit had been disbursed. The actual closing date was 2.5 years late.

3.22 Originally an Information Center was to have been established under the project, but recognizing the growing importance of the internet, the design was amended to incorporate an internet-based concept, implemented by the Transport Rehabilitation and Research Center (TRRC), which also was the PIU for this project. This demonstrated the flexibility by the Bank and Borrower to adjust project components to changing circumstances.

3.23 The rehabilitation of the Ministry building was duly completed. In addition, previously state-owned road transport companies for both freight and passenger transport were privatized, though not directly under the project (only the concept was identified in project documents). The privatization of road transport companies was accompanied by pricing freedom; no government approval is now needed to approve transport tariffs. Road transport has proved to be a good avenue for the increased participation of the private sector in the economy of the country as well as a means to increase transport efficiency.

OTHER OPERATIONAL AND MAINTENANCE ISSUES

3.24 All project components constructed under the project have been fully completed; this consisted primarily of the refurbishment of the MOT building. There were no significant maintenance issues with the facilities or equipment acquired under the project.

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5. Referring to the objective to restructure the Ministry of Transport and Communications to enable it to concentrate on policy formulation and regulation, to supervise the transport sector executive and service delivery administrations and to build appropriate staff capacity, supported by necessary information resources and technology.

There were also no safeguard issues.

3.25 During project implementation, the government decided that IDA projects would no longer be exempt from VAT as well as other taxes and levies. This created a need for increased counterpart financing for the project from the government and led to some unforeseen delays in payment to contractors and suppliers.

MONITORING AND EVALUATION

3.26 Key indicators were shown in the PAD in support of the CAS, the project development objectives and project outputs. The key indicators shown, however, were very brief and essentially just restatements of the project components as opposed to outcomes. This was one of the first projects to use the Learning and Innovation instrument and it is clear that while the team realized that this project could be a pilot for further development of similar projects, there was no apparent comprehension that interventions with a specific learning objective had a particularly strong need to be measurable, even though such measurement and attribution might be difficult. Although the Quality Assurance Group (QAG) guidelines for LICs emphasize the importance of M&E in terms of measurable outcomes, this project was not reviewed by QAG at entry. This would have undoubtedly have been picked up.

3.27 *M&E Design*. There should have been indicators identified that reflected results after the reorganization of the MOT to assess increased efficiency and/or quality of the staff following salary adjustments and performance-based selection. Also, the implementation of the information system should have resulted in improved efficiency by the MOT and the Roads Department, but there was no indicator of measurement of these outcomes. M&E design was considered by the IEG mission to be *Negligible.*

3.28 Project components consisted of restructuring the MOT, establishing the independence of the transport state agencies, improving information technology, refurbishing the MOT building and training MOT decision-makers. In the PAD it was claimed that VOCs would be reduced, though the Restructuring Project included no measurable indicators that would have demonstrated such reductions. IEG did conclude that VOCs had been reduced, but this was primarily due to the Roads Project, which included a large component for road rehabilitation. In the ICR for the Restructuring Project, referring to VOC savings, it was stated that “there is no doubt that such benefits have been created and will be sustained”. However, the IEG mission considers that VOC savings could only partially have been attributed to the Restructuring Project.

3.29 *M&E Implementation*. Implementation of M&E was considered *Negligible*. The Restructuring Project had key indicators that simply mirrored project component outputs. The indicator that claimed that the project would reduce VOCs was not measurable.

3.30 The summary project analysis of the PAD included some of the expected benefits to be “substantial economic savings due to improved transport infrastructure and competition in the sector, and in economic growth from availability of high quality transport services. Commercialization of infrastructure would result in lower VOCs and consequently generate substantial savings." In the ICR, the section Net Present Value/Economic Rate of Return described these benefits as "the economic savings expected at appraisal included reduced costs of transport services through the transfer of public operations to the private sector, increased competition for carrying out infrastructure maintenance, and lower VOCs through the improved condition of the roads. These savings are difficult to measure in the context of this project. However there is no doubt that such benefits have been created and will be sustained". While this is true, no attempt was made to measure such benefits.

3.31 *M&E Utilization.* During discussions in Georgia as well as based on a review of project documentation, there was no evidence that the M&E findings were communicated to stakeholders. The mission considers the rating to be *Negligible.*

3.32 *Overall M&E Rating*. As the ratings for M&E design, implementation and utilization were all negligible, the overall rating is *Negligible*. While IEG understands that measurement of outcomes for such projects is difficult, in this case there was not even a discussion of the issue, whereas strong M&E is particularly important in LICs.

4. Summary of Results

PERFORMANCE RATINGS – ROADS PROJECT

4.1 *Relevance of the objectives.* The project's objectives of improving the quality of the country's road network through rehabilitation, increased maintenance and management through increased private sector participation supported the 1997 CAS objectives. Moreover, the movement towards a commercial approach to managing the road sector and reorganization of the government institutions was a valid goal, though implementation proved to be more difficult than envisaged. The project's objectives followed logically on previous Bank-funded projects in Georgia. Dismantling the soviet system and replacing it with the development of a basic framework for a modern public sector was to take more time than anticipated.

4.2 With regard to relevance of project design**,** there was a clear statement of objectives, and the targets identified in the performance monitoring system were appropriate, though some were merely restatements of the project's components. With regard to the design of the institutional reforms, the mission received comments from the implementing agency, as well as others prior to project implementation recommending that additional training should accompany the project. However, the mission does not consider that this would likely have significantly influenced the government in accelerating the implementation of the institutional improvements. The relevance of the project's design is rated as substantial, and the overall rating of relevance is therefore *Substantial.*

4.3 *Efficacy.* Outcome of First Objective: Reduce road transport costs. IEG determined that the project's M&E implementation was deficient, in that the 15 percent reduction in road transport costs claimed as a benefit was not demonstrated by evidence in the ICR. Nevertheless, IEG did find separate evidence that such costs were reduced by approximately 16 percent as a result of the project. In addition, the ERR, for the sections where it could be calculated, was equal or better to the results expected at appraisal and very high. IEG therefore considers that the outcome of this first objective to be *Substantially Achieved.*

Table 4: Roads Project (Cr. 3357) Performance Ratings by Development Objective

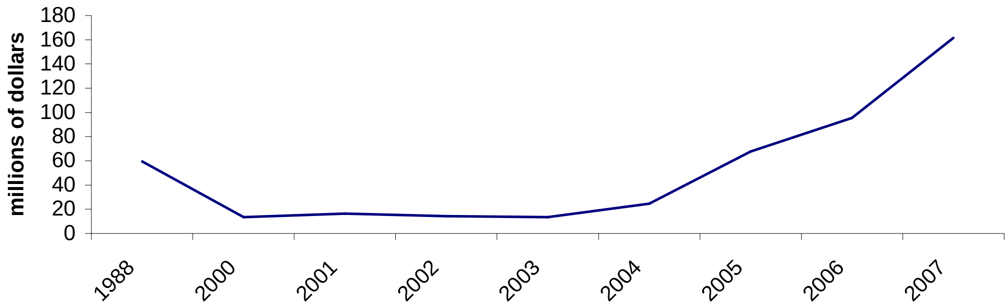
Development Objective	Relevance	Efficacy	Efficiency	Outcome
1.Reduce road transport costs and improve access in major traffic corridors	Substantial	Substantial	High	Substantial
2.Provide steady and adequate level of funding for road maintenance based on charges related to road use and access	Substantial	Modest	Modest	Modest
3. Improve management and effectiveness of the road network by strengthening the state road dept. and developing a private road construction industry.	Substantial	Modest	Modest	Modest
Overall Outcome Rating	Substantial	Modest	Substantial	Substantial

Note: Relevance of project design was also rated as substantial

4.4 Outcome of the Second Objective: Provide timely and adequate level of funding for road maintenance based on charges related to road use and access. Funding for road maintenance has increased dramatically since 2004, exceeding the levels indicated by GOG in its Policy Letter[6]. Figure 5 summarizes the amount of the maintenance budget over the past several years; while no detailed data were available for many of the years immediately prior to 2000 the comparison with 1989 data shows a considerable improvement.

6. Government of Georgia decision approving the Road Sector Resources Allocation Policy Letter; September 19, 2004; signed by Minister of Finance and General Manager of Road Department. Amounts for each year are as follows: (GEL) 45 million in 2005; 50 million in 2006; 55 million in 2007 and 60 million in 2008

Figure 5: Georgia Roads Budget



4.5 As the funding for roads, though adequate, is not based on road user charges related to road use and access as stated in the objective, the outcome of this second objective is therefore considered by IEG to be *Modestly Achieved.* The IEG mission has observed that the Bank is still advocating the institution of road user charges in Georgia, related to road use and access[7].

4.6 Outcome of the Third Objective: Strengthen management of road network. The project included recommendations for the implementation of a pavement management system, introduction of updated technical construction specifications; conducting of a traffic safety audit; and the installation of accounting and financial reporting systems. Some of the institutional improvements had not been implemented at project closure; others are now being implemented as part of currently active Bank-funded projects. The mission therefore considers the outcome of this third objective as *Modestly Achieved*, but the overall efficacy rating is given as *Substantial* due to the weight of the first objective.

4.7 *Efficiency*. The project financed road rehabilitation and routine maintenance, and the quality of the works was in general of a high standard. In the ICR, the cumulative post-project economic rate of return (ERR) for the rehabilitated sections of the road was found to be 41 percent compared with 39 percent at appraisal[8]. During the IEG mission to Georgia, several sections of the rehabilitated road were inspected and the condition of the pavement was still found to be good, while traffic levels were at least similar, and in some cases greater, than identified in the ICR. Despite a smaller number of kilometers having been used in the economic evaluation in the ICR, the economic analysis and results of the rehabilitation work are considered by the IEG mission to be satisfactory. The ICR was unclear regarding the total length of roads rehabilitated under the project. Originally, there were supposed to be 167 km improved, but the economic evaluation benefits were calculated on the basis of 148 km. The total cost of this component was also slightly higher than the appraisal estimate with an increase in per/km cost primarily due to increased deterioration from the preliminary analysis to the time work commenced. Overall, however, the ERR was so substantial that the minor differences

7. This is stated as a medium term objective in the Country Economic Memorandum for Georgia, currently under preparation.

8. The ERRs for the two bridges that were reconstructed exceeded 50 percent

noted are of little significance. The mission considers therefore the efficiency in achieving the first objective is rated *High.*

4.8 The Road Fund was not pursued although road funding allocations from the Treasury increased substantially. Similarly, while the institutional improvements for the management of the road network are now being implemented under other projects, this mostly occurred after project closure. Efficiency in achieving the second and third objectives is thus rated *Modest.* With regard to the overall efficiency of the project, the IEG mission rating is *Substantial.*

4.9 *Outcome of the Overall Project.* Most of the project financing was provided for the first objective, to reduce transport costs, and this objective was rated as substantially achieved. The overall outcome of the project, taking into account relevance, efficacy and efficiency, has been rated as *Substantial.*

4.10 **Risk to Development Outcome**. The risk that development outcome will not be realized is rated *Moderate.* Private sector organizations are now involved in the execution of road maintenance and construction. While the former government did not consider the institutional reforms as critical, the new government has embraced the institutional improvements, and implementation is now in progress under other projects. Some risk lies with the continuance of political stability in the country and the failure to adopt user charges.

4.11 **Bank Performance:** *Quality at Entry*. The Bank failed to accurately perceive the former government's lack of receptiveness to improve public sector management; it was not yet ready to implement the kinds of reform necessary to properly manage and maintain the road sector. Following the "Rose" revolution, the stance of the government changed significantly resulting in a greater acceptance of the reform process. While political risks were identified in the PAD, there should have been a more frank discussion between the Bank and the government to confirm their position on accepting the reforms needed to successfully achieve the project's objectives, possibly with up-front conditions included in a Letter of Intent. Quality at Entry is rated *Moderately Satisfactory*.

4.12 *Quality of Supervision.* There were sufficient IDA missions to Georgia to assess implementation progress. The focus of these missions was mainly on the technical aspects of the project ensuring high quality of the physical products being delivered and that procurement rules were being followed. However, the supervision missions continued to rate the institutional aspects of the project as positive, when in fact little progress was being made. If this apparent negative view on the part of the government towards institutional reform had been highlighted earlier, the issue might have been more speedily resolved. The mission rates the Bank's *Quality of Supervision* as *Moderately Satisfactory*. *Overall Bank Performance* is rated *Moderately Satisfactory.*

4.13 **Borrower Performance:** *Government Performance*. While the government was always open to discussions about the project and its components, little progress was made on institutional reform until the change in government in 2003. The performance of the government is rated *Moderately Satisfactory,* however, as most project components were eventually adopted by the new government albeit with a delay in some cases of a few years.

4.14 *Implementing Agency Performance*. The executing agency was SDRG at the time of the appraisal and changed to GDRMED under the new government. While both agencies were eager to implement civil works and technical assistance, even under the GDRMED progress was initially slow on recommendations that would result in changes in staff culture towards improvements in efficiency and transparency. However, as with the rating of the performance of the government, the implementing agency's performance exhibited some weaknesses and overall, the borrower's performance is rated *Moderately Satisfactory.*

PERFORMANCE RATINGS – MINISTRY RESTRUCTURING PROJECT

4.15 *Relevance.* The Project's objectives are substantially relevant to the strategy advocated in the CAS of downsizing the public sector, increasing productivity, achieving full cost recovery, and encouraging competition, private sector participation and privatization. With regard to the relevance of the project's design, however, while there was a clear statement of objectives, the targets identified in the key performance indicators were very brief and merely restatements of the project components. This is weak design for a Learning and Innovation Project. The relevance of the project's design is, therefore, rated modest, giving higher weight to this significant weakness*.* The overall rating of relevance is also *Modest.*

4.16 *Efficacy*. Outcome of First Objective: Transform the ministry to one suitable for deregulated market economy. Reorganization of the MOT was undertaken, new statutes promulgated and included revised authorities and functions as envisaged during the project preparation, some staff reductions were made and extensive training undertaken to equip staff to fulfill the new functions. The achievement of this objective was complicated by the fact that the MOT was amalgamated with the Ministry of Communications by the new government. This move was welcomed by the Bank but caused some delay in the completion of the project. Total MOT staff reduced to 202, a 53 percent reduction from the 430 employed prior to the implementation of the project, and reflected a significant reduction though more than the 100 people envisaged at appraisal. In addition, according to the PAD, "the newly-independent transport agencies would reduce their staff numbers to sustainable levels as the agencies developed their outsourcing of services and civil works"; there is, however, no evidence that these reductions were made.

Table 5: Ministry Restructuring Project (Cr. 3129) Objective Performance Ratings

Objective	Relevance	Efficacy	Efficiency	Outcome
1. Transform a soviet style ministerial structure into the transport sector's policy formulation and deregulation entity needed in a market economy.	Modest	Substantial	Modest	Substantial
2. Define and contribute to the achievement of operational autonomy and accountability of the Transport Agencies (state departments)	Modest	Substantial	Modest	Substantial
Overall Outcome Rating	Modest	Substantial	Modest	Substantial

4.17 The primary positive outcome was the change in the Ministry's role to focus on policy development rather than operations. In addition, staff selection was to be made on the basis of merit. The new government subsequently increased the salaries of employees of all ministries in line with the increases already given to MOT staff under the Bank-financed project, which it regarded as a pilot. The first important step towards reform in government was made under the Ministry Restructuring project, but the outcome, though positive, was not measured. This first objective is nevertheless considered by the mission to be *Substantially Achieved.*

4.18 Outcome of the Second Objective: Operational autonomy and accountability of transport agencies. Road transport companies have been privatized; oversight agencies for maritime, aviation, road transport and communications have been established. Again, however, no outcomes were measurable. This second objective is therefore considered by the mission also to be *Substantially Achieved.* The overall rating for efficacy is considered by IEG to be *Substantial.* Restructuring was accomplished, and staff reductions were made, though not totally in accordance with the proposed staff levels shown in the PAD. There could have been additional reductions, had the Roads Department decided to outsource road design, though this may still materialize in the near future.

4.19 *Efficiency.* There were no performance indicators that provided evidence about the extent to which the Ministry transformation process had made it a more effective organization, nor were there indicators to measure the operational autonomy and accountability of the new agencies. In the PAD, specific benefits were identified in respect of the second objective including lower VOCs, expected to result in cheaper goods, improved regional access, as well as additional international and local support to the transport sector. None of these benefits were quantified. VOCs have certainly been reduced, but this was also largely due to the Roads Project, which included a large component of road rehabilitation so there is an attribution question. The mission considers the efficiency to be rated as *Modest.*

4.20 *Outcome of the Overall Project.* Both objectives were rated as substantially achieved, but taking into account relevance, efficacy and efficiency, the overall outcome of the project has been rated as *Moderately Satisfactory.* The process followed in this project undoubtedly provided learning for Georgia, but there is no quantifiable evidence as to the degree of success of the restructuring undertaken or evidence showing reasons for success or failure with different elements of the restructuring.

4.21 **Risk to Development Outcome**. The risk at the time of this evaluation, that development outcome will not be realized is rated *Moderate*. While both objectives were completed, the reorganization of the Ministry itself is not a guarantee that the development outcome of the transformation of transport policy will continue to take place in Georgia. While the new government in 2003 was more amenable to adopting many of the institutional strengthening recommendations, the recent political instability in the country[9] indicates that the positive steps taken by the new government may be at risk. Nevertheless, some of the reforms are probably irreversible.

4.22 **Bank Performance:** *Quality at Entry.* Preparation was carried out in less than 12 months and the cost of preparation was below average for this type of project. However, while many design aspects were competently handled, the Bank failed to address M&E seriously, which is critical in a LIC. Overall, the mission considers that the Quality at Entry rating is *Moderately Unsatisfactory.*

4.23 *Quality of Supervision.* There were no less than four task managers for the Bank during the implementation period of the project. While this caused some delay initially, progress stabilized and this was not a critical factor affecting implementation. Bank staff played an unusual role in meeting parliamentary committees which helped to create a better understanding of the objectives of the project and secured excellent cooperation from the new government. (This is something that is rarely done in Bank projects). The mission considers that the Bank's Quality of Supervision is rated *Satisfactory.* Overall Bank Performance is rated *Moderately Satisfactory,* since the omission of M&E was such a serious issue for a purported learning intervention.

4.24 **Borrower Performance:** *Government Performance.* When the Bank recommended salary increases for MOT staff, the Ministry of Finance was opposed to creating a special salary structure for one ministry and not for all (something the Bank should have understood governments have major difficulties with). In addition, the regulatory fees that were to support the new salary structure were also opposed by some private companies and it was in doubt whether the salary reforms would go forward. However, the salaries were adjusted in the MOT and later, after the ministries of Transport and Communications were combined, salaries of all government staff were increased.

4.25 The government's decision to combine the MOT with the Ministry of Communications led to a one year delay in the project completion because of the need for Parliamentary approval. Nevertheless, given the overall progress of the transformation and the government's positive attitude, the mission considers the performance of the government to be *Satisfactory.*

9. In November 2007 a state of emergency was declared in Georgia

4.26 *Implementing Agency Performance.* The only significant problems with the implementing agency's performance were a delay caused by the lack of familiarity with the Bank's procurement guidelines and some temporary counterpart funding problems following a decision to include VAT in the project costs. The TRRC, however, proved to be very helpful in assuring that the guidelines would be followed and showed flexibility in adapting the Information Center to include an internet concept. Overall IEG considers that the Implementing Agency's performance was *Satisfactory* and overall borrower performance also *Satisfactory*.

5. Lessons Learned from the Projects

5.1 Particular attention should be paid during preparation to the degree of commitment by government to implement reforms discussed. Stated commitments should be backed up with Letters of Intent;

5.2 During supervision the Bank should be perceptive to reasons for tardiness in the implementation of reform components of the project, so that intervention can be made earlier if need be, and at an appropriate level;

5.3 Institutional reform needs to be backed up by a professionally designed training program in which the participants can understand the strategic direction of the overall reform process, and their role within it;

5.4 Learning and Innovation Projects such as the Transport Ministry Restructuring Project should be designed to achieve a higher level of monitoring and evaluation for learning purposes than that expected of other projects, with key performance indicators and measurable outcomes to support future adjustments in direction .

Annex A. Basic Data Sheets

ROADS PROJECT (CREDIT 3357-GE)

Key Project Data *(amounts in US$ million)*

	Appraisal estimate	***Actual or current estimate***	***Actual as % of appraisal estimate***
Total project cost	55.0	57.2	104
Credit amount	40.0	41.1	103
Cancellation		0.1	-

Project Dates

	Original	***Actual***
Appraisal Mission	02/03/2000	02/03/2000
Board approval	05/25/2000	05/25/2000
Signing	07/26/2000	07/26/2000
Effectiveness	01/31/2001	01/31/2001
Closing date	12/31/2004	12/31/2005

Staff Inputs (*staff weeks*)

	Actual/Latest Estimate	
	N° Staff weeks	***US$('000)***
Identification/Preappraisal	No longer Supported by Bank Information System	-
Appraisal/Negotiation		337.0
Supervision		448.0
ICR		25.0
Total		810.0

Mission Data

	Date (month/year)	No. of persons	Specializations represented	Performance Rating	
				Implementation Progress	Development Objective
Identification/ Preparation	07/1999	2	POO;EC		
Appraisal/Negotiation	10/1999	5	POO; EC; FA; PA; TE		
	02/2000	5	STE; STP; EC; FA; PO		
Supervision	09/2000	3	STS; EC; PS	S	S
	01/2001	3	STS; EC; PS	S	S
	05/2001	3	STS; EC; PS	S	S
	11/2001	3	STS; EC; PS	S	S
	02/2002	3	STS; EC; PS	S	S
	06/2002	3	STS; EC; PS	S	S
	12/2002	2	STS; EC	S	S
	06/2003	2	STS; EC	S	S
	11/2003	4	STS; TEC; EC; PS	S	S
	03/2004	6	TEC; STS 2; SDS; ES; PS	S	S
	09/2004	3	TS; STS; PS	S	S
	01/2005	6	STS; PS; SDC; IF; TC 2	S	S
	07/2005	7	STS 2; TC 2; IS; SFO; PC	S	S
ICR	12/2005	2	TC; IS		

Abbreviaitions: EC = Economist; FA = Financial Analyst; IS = Infrastructure Specialist; PA = Procurement Advisor, PC = Procurement Consultant; POO = Principal Operations Officer; PO = Projects Officer; SDC = Social Development Specialist; SFO = Senior Financial Officer; STE = Senior Transport Engineer; STP = Senior Transport Planner; STS = Senior Transport Specialist; TC = Transport Consultant; TS = Transport Specialist; TEC = Transport Economist

TRANSPORT MINISTRY RESTRUCTURING TRANSPORT PROJECT (CREDIT 3129-GE)

Key Project Data *(amounts in US$ million)*

	Appraisal estimate	*Actual or current estimate*	*Actual as % of appraisal estimate*
Total project cost	2.5	2.3	92
Credit amount	2.3	2.1	91
Cancellation	-	0.2	-

Project Dates

	Original	*Actual*
Departure of Appraisal Mission	03/15/1998	03/15/1998
Board approval	09/03/1998	09/03/1998
Signing	09/17/1998	09/17/1998
Effectiveness	11/15/1998	01/28/1999
Closing date	12/31/2000	06/30/2003

Staff Inputs (*staff weeks*)

	Actual/Latest Estimate	
	N^o Staff weeks	*US$('000)*
Identification/Preparation	-	33.7
Appraisal/Negotiation	-	-
Supervision	-	239.4
ICR	-	8.3
Total	-	281.4

Mission Data

	Date (month/year)	No. of persons	Specializations represented	Performance Rating	
				Implementation Progress	Development Objective
Identification/ Preparation	Sept. 1997	1	Task Team Leader		
Appraisal/Negotiation	March 1998	3	Task Team Leader, Transport Economist, Organization Specialist		
	May 199o8	3	Task Team Leader, Transport Economist, Lawyer		
Supervision	March 1999	1	Task Team Leader	S	S
	Feb. 2000	2	Task Team Leader, Economist	S	S
	Sept. 2000	2	Task Team Leader, Economist	S	S
	January 2001	2	Task Team Leader, Economist	S	S
	May 2001	3	Task Team Leader, Economist, Procurement Specialist	S	S
	February 2002	3	Task Team Leader, Economist, Procurement Specialist	S	S
	June 2002	3	Task Team Leader, Economist, Procurement Specialist	S	S
ICR	Dec. 2002	3	Task Team Leader, Economist, Railway Engineer	S	S

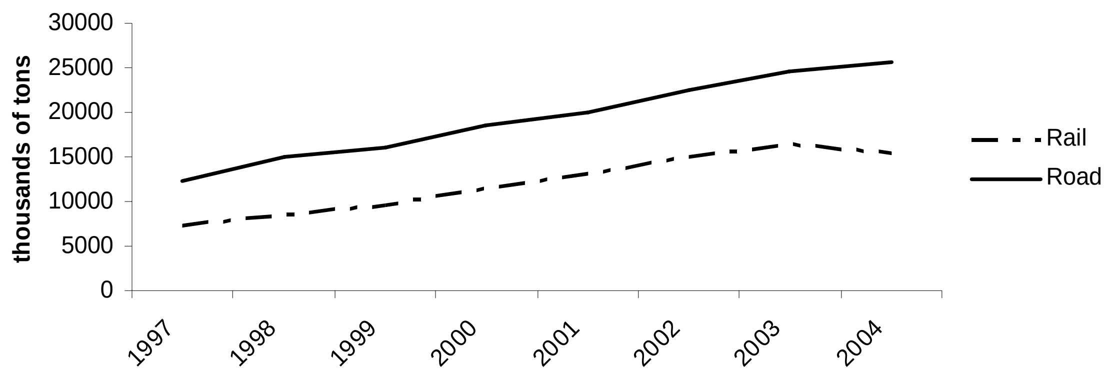
Annex B. Statistics

1. Georgia Social and Demographic Indicators

Area	60,100 squ
Population density (thousands 2004)	71.8 per sq
Population (in millions 2004)	4.3
Life expect ancy at birth	72
men	69.1
women	74.7
Infant mortality rate (per 1,000 live births, 2003)	24.8
Hospital beds (per 1000 residents, 2003)	4
Physicians (per 1000 residents, 2003)	4.6

Source: Government of Georgia

2. Georgia Freight Transport Tonnages 1997-2004



3. Georgia GDP Growth

4. Comparison of Georgia Roads Budget and Government Revenues 2000 - 2007

									ave. annua	ave annual
Construction	0	0	0	0	0	14500	52427	91500		
Rehabiliation and periodic maintenance	9773	12590	11012	8812	17577	59826	75846	137808		
Disaster repairs	2273	3848	4896	4526	14487	34212	12000	6700		
Routine and winter maintenance	14749	17320	15484	15770	15014	14020	21950	25500		
Total	26795	33758	31392	29108	47078	122558	162223	261508		
Government revenues	625929	692257	795408	884647	1649029	2503376	4235542			
Construction							261.6%	74.5%		
Rehabiliation and periodic maintenance		28.8%	-12.5%	-20.0%	99.5%	240.4%	26.8%	81.7%		
Disaster repairs		69.3%	27.2%	-7.6%	220.1%	136.2%	-64.9%	-44.2%		
Routine and winter maintenance		17.4%	-10.6%	1.8%	-4.8%	-6.6%	56.6%	16.2%		
Total		26.0%	-7.0%	-7.3%	61.7%	160.3%	32.4%	61.2%	69.6%	0.4%
Government revenues		10.6%	14.9%	11.2%	86.4%	51.8%	69.2%		50.9%	4.8%