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The World Bank

Report No: 30868

IMPLEMENTATION COMPLETION REPORT
(TF-25247 FSLT-70080)

ON A

LOAN

IN THE AMOUNT OF EUR 24.8 MILLION (US\$25 MILLION EQUIVALENT)

TO THE

REPUBLIC OF ESTONIA

FOR A

TRANSPORT PROJECT

August 31, 2005

**Infrastructure and Energy Unit
Europe and Central Asia Region**

CURRENCY EQUIVALENTS

(Exchange Rate Effective December 31, 2004)

Currency Unit = EURO (EUR)

EUR 1 = US\$ 1.3607

US\$ 1 = EUR 0.7349

EEK 1 = 0.06390 EUR

EUR 1 = 15.6500 EEK

Exchange Rate Effective at Appraisal, October 30, 1999

EUR 1 = US\$1.0607

US\$1 = EUR 0.94277

FISCAL YEAR

January 1 - December 31

ABBREVIATIONS AND ACRONYMS

CAS	-	Country Assistance Strategy
EDI	-	Electronic Data Interchange
EDIT	-	Estonian Infrastructure and Transit Development Foundation
EIB	-	European Investment Bank
EIRR	-	Economic Internal Rate of Return
EMP	-	Environmental Management Plan
ENRA	-	Estonian National Road Administration
EU	-	European Union
HDM	-	Highway Development and Management (software)
IBRD	-	International Bank for Reconstruction and Development
ICR	-	Implementation Completion Report
MOTC	-	Ministry of Transport and Communications
NIB	-	Nordic Investment Bank
NPV	-	Net Present Value
PAD	-	Project Appraisal Document
PIU	-	Project Implementation Unit
PMR	-	Project Management Report
PMS	-	Pavement Management System
QAG	-	Quality Assurance Group
RD	-	Road Districts
TOR	-	Terms of Reference

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ESTONIA TRANSPORT PROJECT

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<i>Project ID:</i> P035775	<i>Project Name:</i> TRANSPORT PROJECT
<i>Team Leader:</i> Cesar Queiroz	<i>TL Unit:</i> ECSIE
<i>ICR Type:</i> Core ICR	<i>Report Date:</i> August 31, 2005

1. Project Data

Name: TRANSPORT PROJECT *L/C/TF Number:* TF-25247; FSLT-70080
Country/Department: ESTONIA *Region:* Europe and Central Asia
Region

Sector/subsector: Roads and highways (95%); General public administration sector (5%)

Theme: Infrastructure services for private sector development (P); Rural services and infrastructure (S)

KEY DATES

	<i>Original</i>	<i>Revised/Actual</i>
<i>PCD:</i> 04/06/1999	<i>Effective:</i> 09/06/2000	10/26/2000
<i>Appraisal:</i> 10/18/1999	<i>MTR:</i> 09/09/2002	
<i>Approval:</i> 03/16/2000	<i>Closing:</i> 12/31/2005	

Borrower/Implementing Agency: MINISTRY OF FINANCE/MINISTRY OF TRANSPORT AND COMMUNICATIONS; MINISTRY OF FINANCE/ESTONIAN NATIONAL ROAD ADMINISTRATION

Other Partners:

STAFF	Current	At Appraisal
<i>Vice President:</i>	Shigeo Katsu	Johannes F. Linn
<i>Country Director:</i>	Daniela Gressani	Basil G. Kavalsky
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<i>Team Leader at ICR:</i>	Cesar Queiroz	Cesar Queiroz
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2. Principal Performance Ratings

(HS=Highly Satisfactory, S=Satisfactory, U=Unsatisfactory, HL=Highly Likely, L=Likely, UN=Unlikely, HUN=Highly Unlikely, HU=Highly Unsatisfactory, H=High, SU=Substantial, M=Modest, N=Negligible)

Outcome: S
Sustainability: L
Institutional Development Impact: SU
Bank Performance: S
Borrower Performance: S

QAG (if available) *ICR*
Quality at Entry: S S
Project at Risk at Any Time: No

3. Assessment of Development Objective and Design, and of Quality at Entry

3.1 Original Objective:

The objectives of the project were to:

- (i) reduce transport costs between Estonia's two largest cities and the Latvian and Russian borders;
- (ii) improve Estonia's road safety performance;
- (iii) strengthen Estonia's road administration; and
- (iv) improve the competitiveness of Estonia's trade supporting infrastructure and services.

The overall intent was to contribute to Estonia's private sector development, through the establishment of a better road connection between Estonia's two largest cities, thereby also enhancing Estonia's regional position in international production networks, and making it more competitive as a transit point for the region.

The project was consistent with the key objective of the World Bank's 1994 Country Assistance Strategy (CAS) that sought to alleviate the pockets of poverty that had developed during the transition process and to raise overall living standards through: (i) sustaining the resumption of economic growth to alleviate the sharp decline in average incomes that occurred following independence; and (ii) helping the Government design and implement policies, programs, and projects to improve the living standards of those left behind in the transition process. The economy's engine of growth was expected to be the private sector supported by adequate and efficient infrastructure and a strengthened administrative and legal framework. While this was the last formal CAS for Estonia, the emphasis of the World Bank's strategy shifted to general support for national development with the private sector as the primary engine for growth. The project was intended to contribute directly to this strategy by improving the adequacy and efficiency of the country's transport infrastructure and services. The aim was to lower transport costs and reduce delivery times, thus encouraging investment, job creation and rising incomes, and the development of value-added activities engendered by increased transit traffic. These objectives were met.

The Estonian National Road Administration (ENRA) operates under the jurisdiction of the Ministry of Transport and Communications (MOTC) and is responsible for about 15,000 km of road network in Estonia. An assessment of ENRA's capacity to carry out procurement functions was conducted in October 1999. The assessment noted ENRA's prior experience under the World Bank-financed Highway Maintenance Project, which was approved in 1993 and completed in 1997. It was rated "highly satisfactory" in the Implementation Completion Report (ICR). This project helped make ENRA more efficient and technically advanced, having had to deal with complex procurement issues. A Project Implementation Unit (PIU) consisting of two staff members was established.

For the Estonia Transport Project, the World Bank's preparation mission again suggested the creation of a PIU with four staff, including a procurement specialist. The PIU was fully operational and adequately staffed during the project. In addition to core project staff in the PIU, four ENRA staff, including the chief accountant from the finance division, one each from information technology, supervision and road management divisions assisted the PIU. Financial management was satisfactory. ENRA provided timely and professional Project Management Reports (PMRs). Procurement actions were carried out satisfactorily and according to schedule.

The MOTC and the Estonian Infrastructure and Transit Development Foundation (EDIT), an inter-ministerial body that includes participation of and interaction with the private trade and transport sector, successfully implemented the trade facilitation component.

The quality of the design was appropriate for the country, and preparation took into account the World Bank's policies. Risks were appropriately assessed in the project design. The final results are consistent with those expected at project's inception.

The development objectives that were set at the time of appraisal, e.g. increase in the efficiency and improvement of road safety, strengthening road administration, and improvement of the competitiveness of trade supporting infrastructure services, were realistic to the project, attainable and measurable. The Quality Assurance Group (QAG) Quality at Entry Review assessed the project as well focused on its development objectives, and consistent with the CAS.

3.2 Revised Objective:

The objectives were not revised.

3.3 Original Components:

The project had four components:

Component 1: Rehabilitation and Upgrading of Portions of Key Roads (EURO 40.9 million, US\$43.3 million equivalent). This component was to include the rehabilitation of priority sections of the Tallinn-Tartu-Luhamaa road totaling 190 km. The road has a total length of 288.7 km and travels diagonally across Estonia territory connecting the capital of Estonia (Tallinn) with the second largest city in population (Tartu) and the border with Latvia and Russia. World Bank support included the financing of design and supervision. The subcomponents included in the project were as follows:

a) Rehabilitation of priority sections of the Tallinn-Tartu-Luhamaa road at a total estimated cost of EURO 28.3 million (US\$30 million equivalent)

- Kose-Mao Section - rehabilitation of 24.4 km of the 48 km Kose-Mao road section which involved renovation consisting of stabilizing the sub-base, putting down new asphalt concrete road surface, and associated shoulders, drainage and road markings, at an estimated cost of EURO 4.2 million (US\$4.5 million equivalent).
- Mao Tartu Section - rehabilitation of 93 km of the Mao-Tartu section involving stabilizing the sub-base, new asphalt concrete road surface and other improvements noted above at an estimated cost of EURO 13.1 million (US\$13.9 million equivalent).
- Tartu-Luhamaa Section - rehabilitation as noted above of 72.9 km of the Tartu-Luhamaa road at an estimated cost of EURO 10.9 million (US\$11.6 million equivalent).

b) Widening of the Tartu Ring Road and Interchange at an estimated cost of EURO 12.6 million (US\$13.3 million equivalent)

- The Tartu Ring Road - the Interchange was to be widened at an estimated cost of EURO 7.07 (US\$7.5 million equivalent), involving the construction of two additional lanes and renovation of the existing two lanes on a 5 km section.

- Construction of the Torvandi grade separated interchange at an estimated cost of EURO 5.5 (US\$5.8 million equivalent).

Of the total cost of EURO 40.9 million (US\$43.3 million equivalent) for this component, the World Bank's share was EURO 20.7 million (US\$22 million equivalent).

Component 2: Improvement in Road Safety (EURO 4.1 million, US\$4.35 million equivalent). This component sought to address the serious and increasing problem of road accidents in Estonia. Compared to neighboring Scandinavian countries, the rate of fatalities/10,000 vehicles at the time of project appraisal was approximately 2.5 times higher, and the rate of fatalities/million vehicular kilometers was five to six times higher. Coupled with the growth in vehicle ownership in Estonia, which was, at the time of appraisal, one of the highest in Europe, the scale of the problem was anticipated to increase. In response, the project included the construction of civil works to eliminate accident black spots; installation of long life road markings for new asphalt pavements, road side delineators, changeable traffic signs and automatic speed control cameras, creation of campaign materials for a road safety educational campaign, technical assistance to coach the traffic police, training courses in road safety strategy and specifically four regional training sessions in accident risk analysis and definition of accident remedial; and software and training to allow the analysis of the accident database in ENRA to identify the impact of remedial actions at the network level. Of the total cost of EURO 4.1 million (US\$4.35 million equivalent) for this component, the World Bank's share was EURO 2.5 million (US\$2.65 million equivalent).

Component 3: Institutional Strengthening, Training, Office and Laboratory Equipment (EURO 1.4 million, US\$1.5 million equivalent). This component would provide continued assistance to the Estonian National Road Administration to strengthen its operational capacity, including assistance for continuing the work on routine maintenance by contract, improvement of the Pavement Management System (PMS), assistance in improving financial management and budgeting, and additional support for the ENRA personnel in road design and supervision for improvements in the main road network, including Via Baltica and the Tallinn-Tartu-Luhamaa road. It would also include some additional office and laboratory equipment. Since the Government's preference was not to use loan funds for technical assistance, the financial support for this component was expected to be provided by bilateral agencies, including the European Union (EU) and Finland. The environmental provisions of the project included executing an Environmental Management Plan (EMP), implementing a Land Acquisition Plan, and establishing an Environmental Unit in ENRA whose duties would include coordination of environmental and socio-community studies and environmental oversight of project implementation. The World Bank's loan did not cover any of the EURO 1.4 million (US\$1.5 million equivalent) cost for this component. The Environmental Unit was established and has been effective in monitoring environmental aspects of road works, including those locally financed. A review carried out by the World Bank Environmental Unit concluded that the project reflects best practice.

Component 4: Trade Facilitation (EURO 0.09 million, US\$0.1 million equivalent). This component, to be carried out by EDIT, included measures aimed at developing an environment with:

- (i) laws and regulations to ensure the development of trade supporting services and infrastructure on an equal and fair basis, taking into account the EU accession process;
- (ii) support for creation of an efficient public and private partnership based on combined resources, close and objective cooperation and the perception of a common goal;

- (iii) access to capital for the Estonian economy on equal terms and conditions as competitors;
- (iv) provision of quality education, training and research on trade supporting services; and
- (v) improved access to markets. Support from project financing would be limited to obtaining and installing the hardware and software and technical support required to implement a pilot Internet-based Electronic Data Interchange (EDI) electronic system for providing one-stop border clearances in Estonia. The system would be compatible with EU standards and allow for a direct transfer of electronic data related to shipments at border crossings of Estonia's main EU partners.

The World Bank loan included funding for this component. However, because private funds became available, World Bank funding was not utilized.

The total project cost of EURO 46.6 million (US\$49.5 million equivalent) was financed as follows: EURO 21.35 million (US\$22.65 million equivalent) from the Estonian Government, EURO 1.55 million (US\$1.65 million equivalent) from the European Union, EURO 0.18 million (US\$0.2 million equivalent) from the Government of Finland, and EURO 24.8 million (US\$25 million equivalent) from the World Bank.

3.4 Revised Components:

The components were not revised.

3.5 Quality at Entry:

The project was selected for a Quality at Entry Assessment by the World Bank's Quality Assurance Group (QAG), and a QAG review panel met on the March 20, 2001. The finding of the review panel was that the overall quality at entry was satisfactory. The individual reviewers agreed that, overall, the project was well prepared, with the concepts, objectives and approach well articulated and the development outcomes were regarded as achievable and progressive in terms of the social, political and economic development of the country. The World Bank processes and inputs were also judged to be satisfactory. The panel also noted that it was highly likely that the project would achieve its key development objective of infrastructure development.

4. Achievement of Objective and Outputs

4.1 Outcome/achievement of objective:

The outcome of the project is rated as satisfactory. Project implementation proceeded well and the actual project schedule was close to appraisal projections. All major infrastructure components, e.g. road rehabilitation contracts, as well as the delivery of goods and technical assistance components for road safety and trade facilitation, were completed on schedule by mid-2005.

Following the Government's decision to cancel a part of the loan (and loans from other agencies because of a budgetary surplus) in November 2003, ENRA completed the project with budget funds. The cancellation of the outstanding balance had no impact on the achievement of the objectives of the project.

4.2 Outputs by components:

Component 1: Rehabilitation and Upgrading of Portions of Roads. Road rehabilitation contracts No. 1 and 2 (pilot contracts) were completed in 2000, and contracts No. 3 and 4 were completed in 2001. Contracts No. 5 and 6 were substantially implemented in 2002 and finalized in May 2003 because of the severe weather in September 2002. Contract No. 7 was completed in 2003 (and taken over by ENRA on November 2003). More specifically, in 2000-2001 66 km of the Tallinn-Tartu-Voru-Luhamaa road were

rehabilitated. In 2002, 57 km of road section were rehabilitated, with a further 55 km in 2003. The 2004 works program included rehabilitation and safety improvements of the following road sections: Laeva-Karevere, Karevere-Kandkula, Tartu-Tiksoja, access to Karevere overpass overlay, Ussisoo, Aruvalla-Kose. Road safety improvements were implemented at two intersections (Ardu and Aardla) with lighting installed at Adavere village crossing.

The ENRA wished to make an early start on rehabilitating the first section of the Tallinn-Tartu-Luhamaa road, totalling some 13.8 km between Aruvalla and Kose, and a decision was taken to proceed with the works on this section without any World Bank contribution. The procurement process was undertaken in a manner consistent with World Bank procedures. Subsequently, World Bank loan funds that would have been allocated to this section, were utilised as part of the co-financing for the second and third year programs, where additional sections of the same Tallinn-Tartu-Luhamaa road were rehabilitated in the same manner. Three additional sections, between Uhti and Savarna (27.7 km), Kanepi and the County Border (6.9 km), and Voru and Luhamaa (38.3 km) were added to the project in subsequent years. The total length of roads rehabilitated under the project was 240 km, compared to an originally planned figure of 190 km at appraisal.

The achievement of this component was highly satisfactory.

Component 2: Actions Undertaken to Improve Road Safety. The project undertook road safety measures such as the installation of hundreds of meters of new guard rails, cats-eyes, marker posts, new traffic signs, and road painting with long lasting thermoplastic. Road safety work in 2001, for example, included eliminating traffic black spots and procuring automatic traffic monitoring cameras. Intersection improvements, namely lighting and road barriers, were undertaken at Maardu. In Rapla county, road realignment, intersection improvements, and footpath and cycle path construction were undertaken and reflector poles were installed along sections of the main road network.

Efforts to improve road safety were heightened with an initiative entitled “Plan 100” aimed at reducing road fatalities to 100 per year. This initiative was presented in the Parliament in 2003, but as it was regarded as an ENRA Strategy Document, it did not require Parliamentary approval. The project components for traffic safety included the remediation of a number of accident 'black spots', which had been identified in an earlier study undertaken by the Road Department of Tallinn Technical University. This study analyzed dangerous locations, in terms of the frequency of different categories of accident (accident black spots) on the public highway network in Estonia, and provided a foundation to identify priorities, the identification of risk factors, and appropriate countermeasures in terms of remedial actions. The selected locations, which were identified as priorities, informed the safety components financed by the loan. The installation of the accident analysis software will also help in the identification and prioritization of those target areas requiring countermeasures. In addition, the technical assistance component for traffic safety campaigns included the hiring of a consultant for ENRA to advise on successful road safety measures in other countries, such as Sustainable Safety in the Netherlands, or Vision Zero in Sweden; together with technical assistance for coaching/training Traffic Police; and regional training for traffic safety professionals including the exchange of road safety experiences with other organizations.

According to the ENRA database, total fatalities increased from 199 in 2001 to 223 in 2002, or 12 percent. The increase in the number of fatalities was due in part to inexperienced young drivers. But from 2002 to 2003, fatalities caused by drunk drivers decreased by 55 percent. Road safety financing from the ENRA budget was more or less stable during project implementation and totaled EEK 8.5 million in 2000; EEK 10.0 million in 2001; EEK 9.5 million in 2002; EEK 10.5 million in 2003; and EEK 12.7 million in 2004. However, in 2005 a special program on Black Spot Remediation was introduced, as a direct result of the

work undertaken in the project, with an allocation of EEK 63 million.

The achievement of this component was satisfactory.

Component 3: Strengthen Road Transport Administration. Progress has been made in financial management, procurement, environment, training and maintenance by contract. ENRA's Traffic Information Center provides weather and road condition information and performs effectively and efficiently. Also, Estonia is advanced in privatizing its maintenance operations which helps to stabilize the recurrent expenditure needs of the road network through the transfer some of the risk and responsibilities to the private sector. Specific reforms include the adoption of performance based contract maintenance for highways. In April 2000 ENRA had its first privatized road and bridge maintenance contract that covered 1,200 km network in southern Estonia. By early 2002, Estonia had three competitively tendered output based road maintenance contracts. The MOTC decided, early in the implementation of the Transport Project, to gradually replace all in-house (own force) routine maintenance with long-term contracted out maintenance in all 15 road maintenance regions. As of January 1, 2003, the 15 Road Districts (RD) (one per county) were consolidated into seven RDs. In April 2003, the RDs were reduced to six. Currently, 58 percent of the national roads (in terms of kilometers) have routine maintenance contracted out. Performance, or output-based contracts are used, whereby contractors receive full monthly payments if all requirements are met. If not, ENRA has clear criteria to judge performance, e.g. by May 15 every year all cracks are sealed, and failure to meet these criteria on the part of any contractor will result in a defined deduction in the monthly payment. In addition, ENRA, in conjunction with Tallinn Technical University, established a laboratory for photogrammetry in the University's Road Institute from the Transport Project local cost component.

With respect to environmental issues, ENRA implemented an EMP, to ensure compliance with Estonian and World Bank environmental requirements. All road works contracts included provisions of the EMP. ENRA proposed improved technical specifications regarding compliance with the EMP which were incorporated into the bidding documents. These provisions included a contractor's obligation to submit a specific EMP for the contract 14 days prior to the beginning of the works. For locally financed projects, ENRA adopts an Environmental Memorandum, according to Estonian legislation. The EMP is comprehensive and appropriate. ENRA also has strengthened its in-house environmental capability by establishing an environmental unit within ENRA. An environmental specialist has been recruited to coordinate environmental issues related to ENRA's activities such as inspecting construction sites and preparing reports in compliance with the EMP.

The achievement of this component was satisfactory.

Component 4: Trade Facilitation. This component was coordinated directly by MOTC, and ENRA participated as needed upon request in procurement and accounting functions. Given the progress in the EDI component in securing funds from the private sector for EDI implementation, loan funds did not need to be used for this purpose.

As part of project preparation, a Transport and Trade Facilitation study carried out in 1998-1999 produced a Strategic Plan and an Action Plan that were disseminated in April 1999. In May 1999, the MOTC established the EDIT, to be financed partly under the MOTC budget and partly by the private sector. Under the Vektor brand name, the EDIT aimed to promote Estonia as a transit hub not only for oil but for unitized cargo flows as well.

A special area of interest for Vektor is to develop and offer EDI-based solutions for Estonian trade and

transport. Vektor is developing an EDI policy for transport and foreign trade. A new company, EDI-Vektor, Ltd., has been incorporated as an EDIT subsidiary with the specific mandate to carry on developing an EDI platform to supply EDI services to the transport and trade community. EDI-Vektor will market EDI services on a commercial basis and maintain and further develop the EDI platform as may be required. The budget for this work was financed by a Government subsidy to EDI-Vektor. Going forward, there will be no need for MOTC to invest further in EDI as the private sector has invested and made considerable progress in data interchange.

The achievement of this component was satisfactory.

4.3 Net Present Value/Economic rate of return:

The original economic analysis is described in Annex 4 of the Transport Project Appraisal Document (PAD). The only component that was subject to economic appraisal was component 1 - the rehabilitation and upgrading of 190 km of the Tallinn-Tartu-Luhamaa road. This component accounted for 87 percent of total project costs, US\$37.7 million equivalent excluding contingencies. The analysis was based on the standard approach for the economic appraisal of highway investments, involving the definition of a 'do-nothing' scenario, without any intervention, and one or more, 'do-something' scenarios, involving the different interventions being tested.

The results of the economic appraisal, presented in terms of the Net Present Value (NPV) and the Economic Internal Rate of Return (EIRR) for each of the eight road segments that were identified for inclusion in the project at appraisal and specified in the PAD, is provided in Annex 3. The PAD also reported the total NPV of all eight road segments at EURO 31 million (US\$33 million equivalent), and an aggregate EIRR of 32.3 percent.

After completion of the project, the economic analysis of the completed road segments was redone, using the actual capital costs, averaged per kilometer, from the actual contract prices, together with actual traffic data (collected as input to the Pavement Management System in autumn 2004). The results of this exercise, which are detailed in Annex 3, indicate a total NPV of US\$32.1 million and an aggregate EIRR of 37.8 percent. Generally, the revised economic analysis indicates that five out of the original eight sections performed better, in terms of their NPV and EIRR, in the revised economic evaluation, than at appraisal. Two sections performed slightly worse, primarily due to lower growth in road traffic volumes on those sections.

4.4 Financial rate of return:

The impact of the project on the financial position of ENRA was not estimated, as there were no hypothecated road user fees, or direct revenues, which would allow the calculation of a meaningful internal rate of return.

4.5 Institutional development impact:

The institutional development impact of the project is considered to be substantial, with three of the four components involving technical assistance, training or the provision of goods or equipment, aimed at strengthening the institutions in the road sector in Estonia. The introduction of output based contracting was a particularly beneficial element, as noted by the Review Panel at Quality at Entry, with significant potential spillover effects outside the project, both within the country, and within the region.

5. Major Factors Affecting Implementation and Outcome

5.1 Factors outside the control of government or implementing agency:

There were no major factors outside the control of the government or the implementing agency which affected implementation or outcome.

5.2 Factors generally subject to government control:

In November 2003, the MOF requested to cancel IBRD, EIB and NIB undisbursed loan amounts because of the country's significant budgetary surplus in 2003, with an even higher budget surplus projected for 2004. The amount of the loan that was cancelled was EURO 8,893,531.08 (US\$12.1 million equivalent). In addition, in March 2004, the World Bank canceled EURO 2,064.06 (US\$2,808.6 equivalent) that was refunded from the Special Account. Following the partial loan cancellation, ENRA completed the project with its own funds. Despite the cancellation of the outstanding balance, the objectives of the project were achieved.

5.3 Factors generally subject to implementing agency control:

The ENRA wished to make an early start on the rehabilitation of the first section of the Tallinn-Tartu-Luhamaa road, totalling some 13.8 km between Aruvalla and Kose, and a decision was taken to proceed with the works on this section without any World Bank contribution. The procurement process was undertaken in a manner consistent with World Bank procedures. Subsequently, World Bank loan funds that would have been allocated to this section, were utilised as part of the co-financing for the second and third year programs, where additional sections of the same Tallinn-Tartu-Luhamaa road were rehabilitated in the same manner. Three additional sections, between Uhti and Savarna (27.7 km), Kanepi and the County Border (6.9 km), and Voru and Luhamaa (38.3 km) were added to the project in subsequent years. The total length of roads rehabilitated under the project was 240 km, compared to an originally planned figure of 190 km at appraisal. The increase reflected the fact that the contribution from the Government exceeded that envisaged at appraisal. There were no other factors under the control of the implementing agency that affected the implementation or outcome of the project.

It took some time, initially, to build momentum for the road safety component, reflecting the challenges associated with implementing interventions in this area and seeing results within a short time frame. Also, after some delay, an in-house Environmental Unit was established in ENRA to oversee preparation of Environmental Assessments and EMPs. The process of compliance with the environmental aspects of the project also took time. Specifically, the required public disclosure process occurred after the loan became effective, and after the final designs were completed for the two pilot project contracts. As a result, the public was not able to raise issues that may have been incorporated into the design of the pilot contracts. This was regarded as unfortunate, and processes were put in place to ensure that at contract renewal, wider stakeholder opinion would be considered in the design of subsequent contracts.

5.4 Costs and financing:

There were some variations in the cost of some of the project components, primarily in the civil works contracts in later years of the project. However, the actual increase over the estimates at appraisal, in constant prices, was modest, and together with an increase in the contribution from the Government, did not lead to any reduction in the quality or scope of the project components. There were no delays in the provision of counterparts funds by ENRA, reflecting the desire and support of both the implementing agency and the Government to achieve a satisfactory outcome to the project.

6. Sustainability

6.1 Rationale for sustainability rating:

The sustainability of the overall project is regarded as likely. At the outset, it was expected that once established, the system to facilitate trade and transport should be sustained because it would become part of Estonia's regular trade and transport operations. It was also expected that the road civil works components and institution building component should be sustainable because ENRA was a competent organization that already demonstrated its effectiveness in maintaining the road network during the Highway Maintenance Project. The main risks that were identified at appraisal included: (i) infrastructure improvements may not lead to a decrease in vehicle operating costs; (ii) safety improvements may not lead to a reduction in accidents; (iii) use of the Pavement Management System may not lead to improved road maintenance administration; and (iv) EDI may not attract private investors.

These risks, with one exception, did not materialize and a number of project achievements are likely to be sustainable. The trade facilitation component is likely to continue because of the involvement of the private sector. The institutional capacity building and road safety components also are likely to be sustained because of the competence of the implementing agency, and the support of the Government. One firm indication of the latter is the significant increase in planned expenditures on road safety in the budget for 2005. The Pavement Management System is established with ENRA in operational terms, forming part of the budgetary process, identifying priorities, and allocating resources to the network.

However, one ongoing area of concern pertains to the provision of funding for road maintenance and sustaining the gains of the civil works projects. Estonia's road budget is composed of state treasury allocations, European Union allocations, and loans from the IFIs, namely the World Bank, Nordic Investment Bank, and the European Investment Bank. The IFI loans, however, have been cancelled. Although the level of funding for roads in Estonia has increased in recent years, there has not been a corresponding increase in funding for road maintenance. In 2000, out of the total road budget of EEK 795 million, EEK 599 million was used for routine maintenance of the network. Out of the total 2001 budget of EEK 777 million, only EEK 485 million was used to maintain the network, as more funds were dedicated for local counterpart financing of IFI loans. The 2002 maintenance situation was even more difficult. The 2002 total allocation for roads increased significantly to EEK 1118 million while only EEK 464 million was used for maintenance. The 2003 total allocation also increased significantly to EEK 1513 million while only EEK 465 million was used for maintenance. Required maintenance after the 2002-2003 winter when weather conditions were significantly worse than usual highlights the need for sufficient funding for road maintenance. The allocation of funds for roads in 2004 was EEK 1966 million, which includes EEK 516 million for maintenance. Planned expenditures in 2005 are EEK 2184, of which EEK 562 million would be expended on maintenance.

6.2 Transition arrangement to regular operations:

The transition to regular operations should, with one exception, prove relatively straightforward, as ENRA has quickly built capacity under the project. However, in the absence of a source of independent revenue, ENRA is reliant on the national budgetary process, whereby short and long term requirements, both capital and current, are subject to the priorities of the Government. The lack of a defined, and increasing, budget allocation for the maintenance needs of the road sector is undermining the benefits resulting from rehabilitation in the project. The national road network represents a substantial asset for the country, and a lack of recurrent expenditure on maintenance, when needed, is likely to increase the capital expenditures in the future.

7. Bank and Borrower Performance

Bank

7.1 Lending:

The World Bank's performance in identifying, preparing and appraising the Project was satisfactory. Staff identified and prepared a project that was consistent with the CAS. Project appraisal was undertaken by World Bank staff in a thorough manner and in close cooperation with the Borrower. The appraisal decision to establish a new PIU, comprised of ENRA staff, was appropriate and yielded benefits in project implementation. The project objectives were clear and specific. The components supported the objectives of the project and addressed issues on a timely basis. The project design combined civil works and institutional capacity building which were appropriate to meet the transport needs existing during the project implementation period and beyond. The project was consistent with the World Bank's strategy to help improve the competitiveness of Estonia's trade supporting infrastructure and services. World Bank staff and the Estonian counterparts who were responsible for project implementation enjoyed productive and good relations.

7.2 Supervision:

The World Bank's supervision of the project was satisfactory. World Bank staff undertook supervision of the physical and institutional project components in a professional and conscientious manner. Few major issues arose during project implementation. When implementation of the environmental-related activities was lagging, World Bank staff were proactive with the Borrower to ensure that this important aspect of the project proceeded as designed. World Bank supervision was effective with respect to monitoring the technical aspects of the project. Government counterparts expressed appreciation for the valuable contributions by the World Bank's core staff. The supervision team generally included highway engineering and environmental expertise, supplemented as necessary with other key skills. Continuity of team leadership was a valuable asset to the project and the skill-mix was appropriate. World Bank supervision of the financial aspects of the project, including the financial performance of the Borrower and its compliance with financial covenants, was also effective. The quantity and quality of World Bank staff assigned to the Project were suited to the project's requirements. There were no known deviations from World Bank policies or procedures, and loan conditionalities were adhered to at all times.

World Bank Task Team members also participated in a number of seminars and conducted presentations on roads and road transport in the Baltic States. A workshop to disseminate the main findings of the 2nd Seminar on Transport Sector Restructuring in the Baltic States was held in Tallinn in 2004 and was attended by representatives from the respective government offices, customs agencies, universities and the private sector. Additional dissemination events were held as well. The MOTC expressed support for the World Bank's Trade and Transport Facilitation Survey carried out in the three Baltic states in April-June 2004. The Government expressed agreement that the study results would be of great value in enhancing trade in the region.

7.3 Overall Bank performance:

Overall World Bank performance was satisfactory. World Bank staff were responsive to clients in identifying and appraising the project, and responsive during implementation as circumstances required.

Borrower

7.4 Preparation:

Project preparation by the Borrower was fully satisfactory. Project preparation was undertaken in a manner that reflected the competence and flexibility of Government and ENRA representatives in meeting the demands, providing output, and providing documentation as and when needed, to the required standard.

7.5 Government implementation performance:

The Borrower's performance was satisfactory during implementation. Decisions were taken in a timely and appropriate manner and staff were responsive to needs as they arose. Progress reporting, as well as the submission of reports and financial statements, was satisfactory.

7.6 Implementing Agency:

The Implementing Agency's performance was also satisfactory during implementation. Decisions were taken in a timely and appropriate manner and staff were responsive to needs as they arose. Progress reporting, as well as the submission of reports and financial statements, was satisfactory. The performance of consultants employed under the project was satisfactory as well.

It took some time to build momentum for the road safety component because of the challenges associated with implementing interventions and seeing results within a short time frame. Also, after some delay, an in-house Environmental Unit was established in ENRA to oversee preparation of Environmental Assessments and EMPs. The process of compliance with the environmental aspects of the project also took time. Specifically, the required public disclosure process occurred after the loan was approved and became effective, and after the final designs were completed for the two pilot project contracts. As a result, the public was not able to raise issues that may have been incorporated into the project's design of the pilot contracts.

7.7 Overall Borrower performance:

Overall Borrower performance was satisfactory for the reasons cited above.

8. Lessons Learned

The following lessons can be learned from this project.

Management and Administration of the Project. Successful projects are the culmination of the actions of competent people who are dedicated and able to take advantage of financial resources and new technical and managerial approaches to improving how the work is undertaken in a client country. This was the case in this project. Road administration and road rehabilitation projects are more successful when supervision of contractors is undertaken in a conscientious and thorough manner to ensure the quality of the work meets required specifications and environmental assessments are undertaken in a timely manner to avoid unanticipated disruptions in work.

Role of EU Accession. The EU accession process has played a catalytic role in accelerating institutional and policy reform in Central and Eastern European countries, and this was the case in this project. EU standards for upgrading pavement and traffic safety, which were taken into account in this project, provide a framework and goal to aim for.

9. Partner Comments

(a) Borrower/implementing agency:

The ICR was forwarded to the Borrower in draft form for their comments: The Implementing Agency, the ENRA, stated that their evaluation of the World Bank's performance in undertaking the obligations inherent in the Loan Agreement had been highly satisfactory. The staff of ENRA appreciated, and benefitted, from the close professional relationship with World Bank staff during both the preparation and implementation of the project, and the technical assistance components made a substantive contribution to strengthening, and sustaining the technical capacity of the ENRA.

(b) Cofinanciers:

(c) Other partners (NGOs/private sector):

10. Additional Information

Analysis of Road Rehabilitation Costs:

An analysis of the cost of rehabilitation per kilometer, of the road segments included in the project, is provided in the following table. The table reveals that there has been an apparent increase in the contract price per kilometer through implementation. However, this table presents the contract prices in current prices; in constant prices, the increases were less marked, although higher than the original estimate at appraisal. However, the costs still compare favorably with the survey of costs for similar rehabilitation works worldwide, contained in the World Bank's ROCKS database. The range of costs for rehabilitation with an asphalt concrete overlay goes from a minimum of US\$45,069 per kilometer to a maximum of US\$657,747 per kilometer, with an average of US\$262,992 per kilometer. The right hand column reveals that the costs are still, for most road segments, below the average for similar activities elsewhere, something that is supported by observation of the relatively flat terrain, with few undulations.

Rehabilitation Costs per Kilometer for Road Segments in the Project at Appraisal and at Contract Signing (EEK Million per km and US\$ Equivalent in Current Prices)

Reference	Section Start	Section Finish	Section Length (km)	Year of Contract	Capital Costs (EEK Mill per Km)	Capital Costs (USD Equivalent Mill per km)
1	Aruvalla	Kose	13.8	N/A	N/A	N/A
2	Kose	Voobu	27.4	2000	2.1	0.18
3	Voobu	Purdi	12.5	2000	2.3	0.20
4	Purdi	Mao 1	6.2	2000	2.3	0.20
5	Mao 1	Mao 11	3.6	2001	2.5	0.22
6	Mao 11	Ilmatsalu	93.0	2002	2.7	0.23
7	Ilmatsalu	Torvandi	5.0	2002	3.2	0.27
8	Torvandi	Uhti	6.0	2004	3.9	0.34

Annex 1. Key Performance Indicators/Log Frame Matrix

Outcome / Impact Indicators:

Indicator/Matrix	Projected in last PSR ¹	Actual/Latest Estimate
3.3 Regular increases in the ENRA's budget from US\$50 million in 1999 to US\$100 million in 2005	US\$100 million (in 2005)	Allocated amount in 2005 Budget is EEK 2184 million (USD 171 million equivalent)
4.1 Estonia's non-bulk transit traffic increases by 5 percent per year from 2000 to 2005	190,250	190,250, an increase of 370% from the appraisal baseline.
1.1 Roughness of road reduced from an average IRI of 4.0 m/km to 2.5 m/km by project completion.	Average IRI = 2.5 m/km	Average roughness on Tallinn-Tartu-Luhamaa road 0.9 m/km as at December 31, 2004.
2.1 Fatalities per 10,000 vehicles reduced from 4.7 to 3.2 over the life of the project.	3.2	2.95
3.1 Routine maintenance contracted out increased from 0 in 1999 to 30% of overall routine maintenance budget over the life of the project.	30% of overall routine maintenance budget	63% as at December 31, 2004
3.2 Pavement Management System (PMS) installed and functioning	100%	100%

Output Indicators:

Indicator/Matrix	Projected in last PSR ¹	Actual/Latest Estimate
Length of the Tallinn - Tartu - Luhamaa road rehabilitated	179.6 kilometers	240 kilometers
4.1 Pilot EDI installed and operating	100%	Funded by private sector, so excluded from the project output indicators
2.1 Traffic management system installed	100%	80%
2.2 Number of accident black spots per year improved	8	8 - See illustrated map in Annex 10
2.3 Safety education program in operation	100%	100%

¹ End of project

Annex 2. Project Costs and Financing

Project Cost by Component (in US\$ million equivalent)

Component	Appraisal Estimate US\$ million	Actual/Latest Estimate US\$ million	Percentage of Appraisal
1. Works - civil works for the rehabilitation of 270 kilometers of the Tallinn-Tartu-Luhamaa Road	44.50	49.29	1.11
2. Goods	1.10	0.05	0.045
3. Services	3.65	1.78	0.49
Total Baseline Cost	49.25	51.12	
Total Project Costs	49.25	51.12	
Front-end fee	0.34	0.22	1.00
Total Financing Required	49.59	51.34	

Project Costs by Procurement Arrangements (Appraisal Estimate) (US\$ million equivalent)

Expenditure Category	ICB	Procurement Method ¹		N.B.F.	Total Cost
		NCB	Other ²		
1. Works	41.80 (20.50)	2.70 (1.35)	0.00 (0.00)	0.00 (0.00)	44.50 (21.85)
2. Goods	1.00 (1.00)	0.00 (0.00)	0.10 (0.10)	0.00 (0.00)	1.10 (1.10)
3. Services	0.00 (0.00)	0.00 (0.00)	1.80 (1.80)	1.85 (0.00)	3.65 (1.80)
4. Front End Fee	0.00 (0.00)	0.00 (0.00)	0.34 (0.31)	0.00 (0.00)	0.34 (0.31)
5. Miscellaneous	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)
6. Miscellaneous	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)
Total	42.80 (21.50)	2.70 (1.35)	2.24 (2.21)	1.85 (0.00)	49.59 (25.06)

Project Costs by Procurement Arrangements (Actual/Latest Estimate) (US\$ million equivalent)

Expenditure Category	ICB	Procurement Method ¹		N.B.F.	Total Cost
		NCB	Other ²		
1. Works	49.29 (14.78)	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)	49.29 (14.78)
2. Goods	0.00 (0.00)	0.00 (0.00)	0.05 (0.04)	0.00 (0.00)	0.05 (0.04)
3. Services	0.00 (0.00)	0.00 (0.00)	1.49 (1.24)	0.29 (0.00)	1.78 (1.24)
4. Front End Fee	0.00	0.00	0.22	0.00	0.22

	(0.00)	(0.00)	(0.22)	(0.00)	(0.22)
5. Miscellaneous	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)
6. Miscellaneous	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)
Total	49.29 (14.78)	0.00 (0.00)	1.76 (1.50)	0.29 (0.00)	51.34 (16.28)

^{1/} Figures in parenthesis are the amounts to be financed by the Bank Loan. All costs include contingencies.

^{2/} Includes civil works and goods to be procured through national shopping, consulting services, services of contracted staff of the project management office, training, technical assistance services, and incremental operating costs related to (i) managing the project, and (ii) re-lending project funds to local government units.

Project Financing by Component (in US\$ million equivalent)

Component	Appraisal Estimate			Actual/Latest Estimate			Percentage of Appraisal		
	Bank	Govt.	CoF.	Bank	Govt.	CoF.	Bank	Govt.	CoF.
1. Works - civil works for the rehabilitation of 270 kilometers of the Tallinn-Tartu-Luhamaa Road	21.50	23.00		14.78	34.51		68.7	150.0	
2. Goods	1.10	0.00		0.04	0.01		3.6	0.0	
3. Services	1.80	1.85		1.24	0.54		68.9	29.2	

Annex 3. Economic Costs and Benefits

The Economic Evaluation, involving the identification, quantification and comparison of the economic cost and benefit streams, is based on the following consistent principles:

The original economic analysis is described in Annex 4 of the Transport Project Appraisal Document (PAD). The only component that was subject to economic appraisal was project component 1 - the rehabilitation and upgrading of 179 km of the Tallinn-Tartu-Luhamaa road. This component amounted to 87 percent of total project costs. The total cost of the road component (before contingencies) was US\$37.7 million equivalent. The analysis was based on the standard approach in the economic appraisal of highway investments, involving the definition of a 'do-nothing' scenario, without any intervention, and one, or more, 'do-something' scenarios, involving the different interventions being tested. The different economic costs and benefits are identified over the defined appraisal period, 20 years in this case, then converted into commensurate terms, prior to being discounted back to the base year, or present value terms, to allow accurate comparison.

The benefits at appraisal stage were identified as the time and vehicle operating savings, together with the accident cost savings, and the reduction in maintenance expenditures on the road in the do/something scenarios over the life time of the road. All costs and benefits were discounted, as is orthodox practice, using the standard 12 percent discount rate. The actual analysis was undertaken through the use of the Highway Design and Maintenance Model (HDM-III), Version III, which is often called a life-cycle assessment model, which has been designed by the World Bank and partners, specifically to aid road investment management and appraisal. Changes in road user costs were computed using this model based on user defined inputs on vehicle fleet characteristics, utilization, economic unit costs, traffic volumes and growth rates on the project segments over the lifetime of the project. The time and accident cost savings were calculated separately and input into the final estimate of the Net Present Value (NPV) as exogenous benefits. The former were also inflated by 4 percent per annum to reflect the expected growth in real incomes over the appraisal period. Real income had grown by 8 percent per annum over the period 1993-1997. The results of the economic appraisal, presented in terms of the NPV and the Economic Internal Rate of Return (EIRR) for each of the eight road segments that were identified for inclusion in the project at appraisal, and specified in the PAD, is provided in the following table. The PAD also reported the total NPV of all eight road segments at EURO 31 million (US\$33 million equivalent), and an aggregate EIRR of 32.3 percent.

Table 3.1 Results of Economic Analysis on Project Road Sections at Appraisal (NPV EEK Mill and EIRR percent)

Reference	Section		Chainage		Section (km)	Intervention Original	Base NPV (Mill EEK)	EIRR %
	Start	Finish	Start	Finish				
1	Aruvalla	Kose	25.6	39.4	13.8	Rehabilitation	60.8	50
2	Kose	Voobu	39.4	66.8	27.4	Rehabilitation	166.0	21
3	Voobu	Purdi	66.8	79.3	12.5	Rehabilitation	132.1	28
4	Purdi	Mao 1	79.3	87.4	6.2	Rehabilitation	28.9	67
5	Mao 1	Mao 11	87.4	90	3.6	Rehabilitation	39.0	20
6	Mao 11	Ilmatsalu	90	183	93.0	Rehabilitation	190.6	44
7	Ilmatsalu	Torvandi	183	188	5.0	Rehabilitation	37.1	25
8	Torvandi	Uhti	189	195.3	6.0	Rehabilitation	61.9	36

After the completion of the project, the economic analysis of the completed road segments was redone, using the actual capital costs per kilometer from the contract prices, together with actual traffic data (Autumn 2004), collected from traffic counts on the project roads. The economic appraisal was undertaken, on this occasion, using the Highway Design and Management Model (HDM-IV), Version 4, calibrated using the same data from the Pavement Management System, as the HDM III model had been earlier. The results of this exercise, which are presented in the following table, Table 3.2, are acknowledged to be not strictly comparable (e.g. actual section lengths, in some cases, differ slightly from appraised section lengths), but they are sufficiently similar to provide an indication of the economic performance of the appraised sections based on the new data.

Table 3.2 Results of Economic Analysis on Project Road Sections at Appraisal (NPV EEK Mill and EIRR percent)

Reference	Section		Section Length (km)	NPV (Milli EEK)		EIRR %	
	Start	Finish		Appraisal	Present	Appraisal	Present
1	Aruvalla	Kose	13.8	60.8	N/A	50	N/A
2	Kose	Voobu	27.4	166.0	128.5	21	18
3	Voobu	Purdi	12.5	132.1	75.9	28	26
4	Purdi	Mao 1	6.2	28.9	33.4	67	73
5	Mao 1	Mao 11	3.6	39.0	42.1	20	38
6	Mao 11	Ilmatsalu	93.0	190.6	295.0	44	47
7	Ilmatsalu	Torvandi	5.0	37.1	39.3	25	27
8	Torvandi	Uhti	6.0	61.9	83.7	36	38

Generally, the revised economic analysis indicates that five out of the original eight sections performed better, in terms of their NPV and EIRR, in the revised economic evaluation, than at appraisal. Two sections performed slightly worse, primarily due to static demand on those sections, as revealed in a comparison of actual 2004 traffic data with estimated 2000 traffic data.

Annex 4. Bank Inputs

(a) Missions:

Stage of Project Cycle	No. of Persons and Specialty (e.g. 2 Economists, 1 FMS, etc.)		Performance Rating	
	Month/Year	Count	Specialty	Implementation Progress
Identification/Preparation 06/15/1999	9	PROGRAM TEAM LEADER (1); PROJECTS OFFICER (1); TRANSPORT ENGINEER (1); ECONOMIST (1); PROCUREMENT SPECIALIST (1); FINANCIAL ANALYST (1); ENVIRONMENTAL SPECIALIST (1); OPERATIONS ANALYST (1); CONSULTANT (1)	S	S
Appraisal/Negotiation 12/08/1999	9	PROGRAM TEAM LEADER (1); COUNSEL (2); FINANCIAL OFFICER (1); DISBURSEMENT OFFICER (1); SOCIAL SCIENTIST (1); CONSULTANT (1); FINANCIAL ANALYST (1); OPERATIONS ANALYST (1)	S	S
Supervision 04/28/2000	6	PROGRAM TEAM LEADER (1); PROCUREMENT SPECIALIST (1); OPERATIONS ANALYST (1); FINANCIAL EXPERT (1); HIGHWAY ENGINEER (1); ENVIRONMENTAL EXPERT (1)	S	S
09/01/2000	3	PROGRAM TEAM LEADER (1); PROCUREMENT SPECIALIST (1); ECONOMIST (CONSULTANT) (1)	S	S
09/01/2000	1	PROGRAM TEAM LEADER (1)	S	S
06/05/2001	4	LEAD HIGHWAY ENGINEER (1); OPERATIONS OFFICER (1); PROCUREMENT SPECIALIST (1); CONSULTANT (1)	S	S
10/26/2001	4	LEAD HIGHWAY ENGINEER	S	S

ICR	03/01/2002	4	(1); OPERATIONS OFFICER (1); PROCUREMENT SPECIALIST (1); CONSULTANT (1) PROGRAM TEAM LEADER (1); OPERATIONS OFFICER (1); PROCUREMENT SPECIALIST (1); CONSULTANT (1)	S	S
	02/13/2003	2	PTL (1); OO (1)	S	S
	11/25/2003	1	PROGRAM TEAM LEADER (1)	S	S
	03/24/2004	1	PROGRAM TEAM LEADER (1)	S	S
	10/05/2004		PROGRAM TEAM LEADER (1); CONSULTANT (1)		
				PROGRAM TEAM LEADER (1); SENIOR OPERATIONS OFFICER (1); SENIOR TRANSPORT ECONOMIST (1)	S

(b) Staff:

Stage of Project Cycle	Actual/Latest Estimate	
	No. Staff weeks	US\$ ('000)
Identification/Preparation	n/a	448
Appraisal/Negotiation	n/a	-
Supervision	n/a	290
ICR	n/a	-
Total	n/a	738

Annex 5. Ratings for Achievement of Objectives/Outputs of Components

(H=High, SU=Substantial, M=Modest, N=Negligible, NA=Not Applicable)

	<u>Rating</u>				
<input type="checkbox"/> <i>Macro policies</i>	<input type="radio"/> H	<input type="radio"/> SU	<input type="radio"/> M	<input type="radio"/> N	<input checked="" type="radio"/> NA
<input type="checkbox"/> <i>Sector Policies</i>	<input type="radio"/> H	<input checked="" type="radio"/> SU	<input type="radio"/> M	<input type="radio"/> N	<input type="radio"/> NA
<input type="checkbox"/> <i>Physical</i>	<input type="radio"/> H	<input checked="" type="radio"/> SU	<input type="radio"/> M	<input type="radio"/> N	<input type="radio"/> NA
<input type="checkbox"/> <i>Financial</i>	<input type="radio"/> H	<input checked="" type="radio"/> SU	<input type="radio"/> M	<input type="radio"/> N	<input type="radio"/> NA
<input type="checkbox"/> <i>Institutional Development</i>	<input type="radio"/> H	<input checked="" type="radio"/> SU	<input type="radio"/> M	<input type="radio"/> N	<input type="radio"/> NA
<input type="checkbox"/> <i>Environmental</i>	<input type="radio"/> H	<input checked="" type="radio"/> SU	<input type="radio"/> M	<input type="radio"/> N	<input type="radio"/> NA

Social

<input type="checkbox"/> <i>Poverty Reduction</i>	<input type="radio"/> H	<input type="radio"/> SU	<input type="radio"/> M	<input type="radio"/> N	<input checked="" type="radio"/> NA
<input type="checkbox"/> <i>Gender</i>	<input type="radio"/> H	<input type="radio"/> SU	<input type="radio"/> M	<input type="radio"/> N	<input checked="" type="radio"/> NA
<input type="checkbox"/> <i>Other (Please specify)</i>	<input type="radio"/> H	<input type="radio"/> SU	<input type="radio"/> M	<input type="radio"/> N	<input checked="" type="radio"/> NA
<input type="checkbox"/> <i>Private sector development</i>	<input type="radio"/> H	<input checked="" type="radio"/> SU	<input type="radio"/> M	<input type="radio"/> N	<input type="radio"/> NA
<input type="checkbox"/> <i>Public sector management</i>	<input type="radio"/> H	<input checked="" type="radio"/> SU	<input type="radio"/> M	<input type="radio"/> N	<input type="radio"/> NA
<input type="checkbox"/> <i>Other (Please specify)</i>	<input type="radio"/> H	<input type="radio"/> SU	<input type="radio"/> M	<input type="radio"/> N	<input checked="" type="radio"/> NA

Annex 6. Ratings of Bank and Borrower Performance

(HS=Highly Satisfactory, S=Satisfactory, U=Unsatisfactory, HU=Highly Unsatisfactory)

6.1 Bank performance

Rating

- | | | | | |
|---|--------------------------|------------------------------------|-------------------------|--------------------------|
| <input checked="" type="checkbox"/> Lending | <input type="radio"/> HS | <input checked="" type="radio"/> S | <input type="radio"/> U | <input type="radio"/> HU |
| <input checked="" type="checkbox"/> Supervision | <input type="radio"/> HS | <input checked="" type="radio"/> S | <input type="radio"/> U | <input type="radio"/> HU |
| <input checked="" type="checkbox"/> Overall | <input type="radio"/> HS | <input checked="" type="radio"/> S | <input type="radio"/> U | <input type="radio"/> HU |

6.2 Borrower performance

Rating

- | | | | | |
|---|--------------------------|------------------------------------|-------------------------|--------------------------|
| <input checked="" type="checkbox"/> Preparation | <input type="radio"/> HS | <input checked="" type="radio"/> S | <input type="radio"/> U | <input type="radio"/> HU |
| <input checked="" type="checkbox"/> Government implementation performance | <input type="radio"/> HS | <input checked="" type="radio"/> S | <input type="radio"/> U | <input type="radio"/> HU |
| <input checked="" type="checkbox"/> Implementation agency performance | <input type="radio"/> HS | <input checked="" type="radio"/> S | <input type="radio"/> U | <input type="radio"/> HU |
| <input checked="" type="checkbox"/> Overall | <input type="radio"/> HS | <input checked="" type="radio"/> S | <input type="radio"/> U | <input type="radio"/> HU |

Annex 7. List of Supporting Documents

1. Transport Project Appraisal Document, February 23, 2000, Report No. :19672 EE
2. Transport Project Development Credit Agreement
3. Minutes and Records of Negotiations
4. Every Transport Project Quarterly Report since 2000
5. Aide-Memoires and Archived PSRs from 2000
6. Correspondence of the Transport Project
7. QAG Assessment from Quality at Entry Review
8. Compliance with World Bank Safeguard Policies: B. Baratz, June 2003

Additional Annex 8. Borrower's Contribution

Mart Puust
<mart.puust@mail.ee> To <Cqueiroz@worldbank.org>
06/20/2005 11:19 AM cc "R. Martin Humphreys" <rhumphreys@worldbank.org>
Subject RE: Estonia: Transport Project (P035775) - ICR

Dear Cesar,

Thank you for forwarding the draft ICR. ENRA have no further comments on the content, and are happy for you to include the ENRA map indicating the location of the rehabilitated sections, supplied to Mr Humphreys during his last visit.

Thank you very much for any kind of assistance and favourable respect to our cooperation.

Best Regards,

Mart Puust
ENRA

"Anti Moppel"
Anti.Moppel@mkm.ee

02/18/2005 07:56 AM
To: Cqueiroz@worldbank.org, mart.puust@mnt.ee
Subject: RE: Estonia Transport, Implementation Completion Report, additional information needed

Dear Cesar
Please find enclosed the draft for trade facilitation component.
Best regards,
Anti

Draft. 16.02.05
Trade Facilitation component

Trade Facilitation
This component was coordinated directly from MOTC. Given the progress in the EDI component in securing funds from the private sector for EDI implementation, loan funds did not need to be used for this purpose. The component of the project evolved in the following manner. As part of project preparation, a Transport and Trade Facilitation study was carried out in 1998-1999.

The study produced a Strategic Plan and an Action Plan that were disseminated in April 1999. In May 1999, the MOTC established the Estonian Infrastructure and Transit Development Foundation (EDIT), which is financed partly under the MOTC budget and partly by the private sector. Under the Vektor brand name, this Foundation aims to promote Estonia as a transit hub not only for oil but for unitized cargo flows as well.

A special area of interest for Vektor was to develop and offer EDI-based

solution in Estonian trade and transport. The modern hard and software were bought and the pilot project was finished in 2002. As of January 2004 the EDI-Vektor Ltd was incorporated into Tallinn Port Ltd structure and in 2003, Port of Tallinn acquired 100% of AS EDI Vektor shares from the State Infocommunication Foundation. 100% of AS EDI Vektor shares were acquired on 31 October 2003.

Although EDI service has a great potential, AS EDI Vektor could not implement the EDI service at level satisfactory to potential users. Since by the end of 2003 AS EDI Vektor was running out of financing received in 2000 and the company had a negative cash flow, new investors were searched to continue the EDI project. Port of Tallinn had an interest towards the project as more efficient information flow provided by the EDI environment would help to increase the efficiency of cargo and passenger flows in the port. Currently the work group formed by Port of Tallinn in the summer of 2003 has prepared a general EDI activity plan focusing on the possibilities of higher operations efficiency related to the information flows in Port of Tallinn harbors and between the companies of port community. The goal of the activity plan is to review the former strategy of AS EDI Vektor and offer possible future steps for the development of EDI environment. Until the activity plan is finalized and approved by the project partners, the business activity of AS EDI Vektor has been frozen. More active work started in 2005.

Additional Annex 9. Map of Road Rehabilitation by World Bank Financing

ESTONIA

TRANSPORT PROJECT

MAIN AND BASIC ROAD NETWORK
ACTUALLY REHABILITATED SECTIONS

