PROJECT PERFORMANCE ASSESSMENT REPORT

TURKEY
ROAD IMPROVEMENT AND TRAFFIC SAFETY PROJECT

(LOANS CPL-40480; SCL-4048A; SCL-40490)

February 7, 2005

Sector, Thematic, and Global Evaluation Group
Operations Evaluation Department
Currency Equivalents (annual averages)

Currency Unit = Turkish Lira (TL)

<table>
<thead>
<tr>
<th>Year</th>
<th>USD</th>
<th>TL</th>
</tr>
</thead>
<tbody>
<tr>
<td>1994</td>
<td>1.00</td>
<td>14,000</td>
</tr>
<tr>
<td>1995</td>
<td>1.00</td>
<td>39,000</td>
</tr>
<tr>
<td>1996</td>
<td>1.00</td>
<td>50,000</td>
</tr>
<tr>
<td>1997</td>
<td>1.00</td>
<td>75,000</td>
</tr>
<tr>
<td>1998</td>
<td>1.00</td>
<td>108,000</td>
</tr>
<tr>
<td>1999</td>
<td>1.00</td>
<td>206,000</td>
</tr>
<tr>
<td>2000</td>
<td>1.00</td>
<td>315,000</td>
</tr>
<tr>
<td>2001</td>
<td>1.00</td>
<td>540,000</td>
</tr>
<tr>
<td>2002</td>
<td>1.00</td>
<td>670,000</td>
</tr>
<tr>
<td>2003</td>
<td>1.00</td>
<td>1,445,000</td>
</tr>
<tr>
<td>2004</td>
<td>1.00</td>
<td>1,510,000</td>
</tr>
</tbody>
</table>

Abbreviations and Acronyms

CAS  Country Assistance Strategy
ERR  economic rate of return
EU   European Union
ICR  Implementation Completion Report
KGM  General Directorate of Highways
NRSN  National Road Safety Program
OED  Operations Evaluation Department
PPAR Project Performance Assessment Report
PFPSAL  Programmatic Financial and Public Sector Adjustment Loan II
TTP  Turkish Traffic Police

Fiscal Year

Government: January 1 – December 31

Director-General, Operations Evaluation : Mr. Gregory K. Ingram
Director, Operations Evaluation Department : Mr. Ajay Chhibber
Manager, Sector, Thematic, and Global Evaluation Group : Mr. Alain Barbu
Task Manager : Mr. Peter Freeman
About this Report

The Operations Evaluation Department 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, OED annually assesses about 25 percent of the Bank's lending operations. 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. The projects, topics, and analytical approaches selected for assessment support larger evaluation studies.

A Project Performance Assessment Report (PPAR) is based on a review of the Implementation Completion Report (a self-evaluation by the responsible Bank department) and fieldwork conducted by OED. To prepare PPARs, OED staff examine project files and other documents, interview operational staff, and in most cases visit the borrowing country for onsite discussions with project staff and beneficiaries. The PPAR thereby seeks to validate and augment the information provided in the ICR, as well as examine issues of special interest to broader OED studies.

Each PPAR is subject to a peer review process and OED management approval. Once cleared internally, the PPAR is reviewed by the responsible Bank department and amended as necessary. 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 OED Rating System

The time-tested evaluation methods used by OED are suited to the broad range of the World Bank's work. The methods offer both rigor and a necessary level of flexibility to adapt to lending instrument, project design, or sectoral approach. OED 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 (more information is available on the OED website: http://worldbank.org/oed/eta-mainpage.html).

**Relevance of Objectives:** 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). Possible ratings: High, Substantial, Modest, Negligible.

**Efficacy:** The extent to which the project's objectives were achieved, or expected to be achieved, taking into account their relative importance. Possible ratings: High, Substantial, Modest, Negligible.

**Efficiency:** 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. Possible ratings: High, Substantial, Modest, Negligible. This rating is not generally applied to adjustment operations.

**Sustainability:** The resilience to risk of net benefits flows over time. Possible ratings: Highly Likely, Likely, Unlikely, Highly Unlikely, Not Evaluable.

**Institutional Development Impact:** The extent to which a project improves the ability of a country or region to make more efficient, equitable and sustainable use of its human, financial, and natural resources through: (a) better definition, stability, transparency, enforceability, and predictability of institutional arrangements and/or (b) better alignment of the mission and capacity of an organization with its mandate, which derives from these institutional arrangements. Institutional Development Impact includes both intended and unintended effects of a project. Possible ratings: High, Substantial, Modest, Negligible.

**Outcome:** The extent to which the project's major relevant objectives were achieved, or are expected to be achieved, efficiently. Possible ratings: Highly Satisfactory, Satisfactory, Moderately Satisfactory, Moderately Unsatisfactory, Unsatisfactory, Highly Unsatisfactory.

**Bank Performance:** The extent to which services provided by the Bank ensured quality at entry and supported implementation through appropriate supervision (including ensuring adequate transition arrangements for regular operation of the project). Possible ratings: Highly Satisfactory, Satisfactory, Unsatisfactory, Highly Unsatisfactory.

**Borrower Performance:** The extent to which the borrower assumed ownership and responsibility to ensure quality of preparation and implementation, and complied with covenants and agreements, towards the achievement of development objectives and sustainability. Possible ratings: Highly Satisfactory, Satisfactory, Unsatisfactory, Highly Unsatisfactory.
Contents
Principal Ratings................................................................................................................ v
Key Staff Responsible........................................................................................................ v
Preface.......................................................................................................................... vi1
Summary......................................................................................................................... ix
1. Background .................................................................................................................. 1
2. Objectives and Overview............................................................................................. 2
3. Preparation and Implementation ............................................................................... 3
4. Ratings .......................................................................................................................... 5
5. Conclusions and Lessons ........................................................................................... 12
Annex A. List of Country Officials Consulted .............................................................. 15
Annex B. Basic Data Sheet .............................................................................................. 16
Annex C. Borrower Comments ...................................................................................... 19
Box 1: Project Objectives and Components ................................................................. 2
Table 1. Decreases in Traffic Accidents within 3 years, after Rehabilitation of the Black Spots improved in 1997 in the Road Improvement and Safety Project.... 6
Figure 1. Effect of Improvements to Black Spots (1996-2000) ..................................... 7

This report was prepared by Peter Freeman, who assessed the project in July 2004. The report was edited by William Hurlbut, and Romayne Pereira provided administrative support.
## Principal Ratings

<table>
<thead>
<tr>
<th></th>
<th>ICR*</th>
<th>ICR Review*</th>
<th>PPAR</th>
</tr>
</thead>
<tbody>
<tr>
<td>Outcome</td>
<td>Satisfactory</td>
<td>Moderately Satisfactory</td>
<td>Moderately Satisfactory</td>
</tr>
<tr>
<td>Sustainability</td>
<td>Likely</td>
<td>Likely</td>
<td>Likely</td>
</tr>
<tr>
<td>Institutional Development</td>
<td>Modest</td>
<td>Modest</td>
<td>Modest</td>
</tr>
<tr>
<td>Impact</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bank Performance</td>
<td>Satisfactory</td>
<td>Satisfactory</td>
<td>Satisfactory</td>
</tr>
<tr>
<td>Borrower Performance</td>
<td>Satisfactory</td>
<td>Unsatisfactory</td>
<td>Satisfactory</td>
</tr>
</tbody>
</table>

* The Implementation Completion Report (ICR) is a self-evaluation by the responsible operational division of the Bank. The ICR Review is an intermediate Operations Evaluation Department (OED) product that seeks to independently verify the findings of the ICR.

## Key Staff Responsible

<table>
<thead>
<tr>
<th>Project</th>
<th>Task Manager/Leader</th>
<th>Division Chief/ Sector Director</th>
<th>Country Director</th>
</tr>
</thead>
<tbody>
<tr>
<td>Appraisal</td>
<td>Mirtha Pokorny</td>
<td>Ricardo Halperin</td>
<td>Kenneth Lay</td>
</tr>
<tr>
<td>Completion</td>
<td>Mirtha Pokorny</td>
<td>Eva Molnar</td>
<td>Andrew Vorkink</td>
</tr>
</tbody>
</table>
Preface

This is a Project Performance Assessment Report (PPAR), on the Road Improvement and Traffic Safety Project (Loans CPL-40480; SCL-4048A; SCL-40490). The original amount for US$250 million equivalent was approved on June 20, 1996. At the request of the Government of Turkey US$150 million of this amount was later made available in Deutschmarks, which were later converted to Euros, hence additional loan agreements were concluded. The total project amount was estimated to be US$389.30 million at appraisal. Taking into account the implications of the financial crisis in Turkey during 2001/02, it was decided not to extend the project closure date of March 31, 2003, even though the project had not been fully completed. At closure some US$202.32 million of the loans had been disbursed and US$308.37 million of the total project cost had been expended. US$20.25 million was cancelled, whilst a further US$27.43 million was accounted for by changes in currency values during implementation.

The project was selected for assessment because there was a difference of opinion between the implementing agency and the Bank on project implementation issues and to review the impact of the traffic safety component, which was both innovative and effective. It was considered likely that an assessment also would provide a major learning opportunity for others contemplating similar projects. The PPAR will further OED’s overall knowledge base on road safety programs, as well as governance and institutional issues in the transport sector. And finally, it will serve as an input into a forthcoming country assistance evaluation (CAE) of Turkey.

OED prepared this report based on an examination of the relevant Staff Appraisal Report, Implementation Completion Report, legal agreements, project files and archives, as well as other relevant reports, memoranda, and working papers. Discussions were also held with a number of Bank staff. An OED mission visited Turkey in July 2004, conducted site visits, and discussed both the project and the effectiveness of Bank assistance with government officials and stakeholders. Their kind assistance is gratefully acknowledged.

Following standard OED procedures, copies of the draft PPAR were sent to government officials and agencies for their review and comments. Comments have been taken into account in the text and are included as Annex C.
Summary

Transport currently has a high priority in Turkey, partly because of the country’s strategic position between Europe and Asia making it a major transit route, especially for freight traffic, and partly because good communications support economic development, including trade and tourism. However, the recent sustained growth in road traffic, much of it consisting of heavy trucks, has proved costly, because Turkey’s road traffic safety record has become a major cause for concern. With this in mind, the Bank agreed to support the Road Improvement and Traffic Safety Project, reviewed in this PPAR by OED. This project was designed to reduce road transport costs through improvements to state and provincial paved highways, improve traffic safety, and to a lesser extent, improve operational efficiency of the Roads Directorate as well as to ensure that environmental factors were adequately addressed.

An additional factor of increasing importance to Turkey was its application for accession to the European Union. Because Turkey’s road accident record is considerably worse than the European average, it became a further reason for the government to try to improve the situation.

The outcome of the project is rated *moderately satisfactory*. Although the traffic safety component was successful and a number of important road improvements were completed, the higher than expected costs, long delays, and the decision not to extend the closing date, leading to unfinished construction and procurement arrangements, counted against a fully satisfactory outcome.

Institutional development impact is rated as *modest* because of continuing deficiencies in the operational practices of the General Directorate of Highways (KGM), including calling for construction tenders based only on preliminary designs and implementing too many projects simultaneously due to poor prioritization, leading to slow progress on individual projects. An ambitious Highway Information System was unfinished at project closure. Sustainability on the other hand is regarded as *likely* because the KGM is a mature organization with adequate maintenance budgets and proven technical capability. The traffic safety component is being monitored as part of a National Traffic Safety Strategy. Its high profile at the upper echelons of government leave no doubt as to its continuity and assured funding.

Bank and borrower performance are both rated *satisfactory*, but with some caveats. The greatest area of contention is the Bank’s decision to close the project without an extension of time to complete unfinished construction works and procurement activities. This was based on the need, following the financial crisis in 2000/2001, to reduce the number of projects in the portfolio and the matter was subject to a joint review with Treasury in October 2002. The equivalent of US$ 20.25 million (10 percent of the project cost) was cancelled, leaving the implementing agency with a number of signed contracts, but no external funding source. The ramifications of this decision are still being sorted out. On the other hand, the traffic safety component broke new ground and the implementing agency did well to coordinate a complex initiative satisfactorily with other government departments, agencies, and academia. The program to eliminate black spots
(hazardous road locations) was particularly effective in lowering the accident rate in the road sections that were improved.

The implementing agency (KGM) for this project saw the Bank as a financial rather than a development partner. Real changes to address KGM's inefficiencies were only achieved as a result of Turkey's financial crisis, which helped focus the central authorities on the elimination of long-standing poor practices. This illustrates that improvements in institutional governance may at times be difficult to achieve through project-level interventions.

Three important lessons may be drawn from this project:

- **Improvements in governance** can best be achieved when there is a holistic program of institutional reform mandated at the highest levels of government, with interactive communication with operational staff to ensure that the changes take place in the field as envisioned.

- **Traffic safety projects** can be particularly successful where there is strong government commitment and support and where a participatory approach is pursued to ensure the support of all the diverse stakeholders. The key to success is to show what can be done and to have the right information, monitoring and evaluation systems in place so that a national program can be rolled out and its success measured.

- The **elimination of road accident black spots** can be a highly cost effective way to reduce both the accident rate and the degree of severity of the accidents occurring.

Gregory K. Ingram
Director-General
Operations Evaluation
1. **Background**

1.1 Turkey has a unique geopolitical position strategically located between Europe and the Middle East, which makes the transport sector crucial not only for its own economic development but also for the development of the region. The country has important east-west transport links, making it a major transit route especially for freight traffic. Recent developments with regard to the growing role of Turkey in trade with Central Asia and the South Caucasus make the focus on transport even more important.

1.2 Overall transport demand has been growing for many years at an average annual rate of eight percent, but rail traffic has lost a substantial market share to road, declining from 55 percent of the market in 1950 to only four percent now; slightly larger than the combined air/sea share of three percent. Little new traffic can be expected to be attracted back to rail without significant new investment. Road transport on the other hand now accounts for 93 percent of freight transport, so appropriate road investment is critical to the effective functioning of the economy.

1.3 The growth in road traffic and the high proportion of heavy vehicles has contributed to a burgeoning road safety problem, with accident rates between three and six times the EU average. About 7,000 fatalities occur annually on Turkey's road system and the losses because of injuries and property damage are estimated to be in the order of 2 percent of gross domestic product. To put this in perspective this means that every two years the death toll from road accidents is equivalent to that in the tragic Marmara earthquake of 1999.

1.4 To achieve successful accession to the EU, Turkey would have to meet a number of requirements. In the transport sector these would include that the Government separate social from commercial services (with special implications for ports and railways) and that it become more responsive to market needs. This also means that the road agency, known as the General Directorate of Highways (KGM), with an annual budget exceeding US$1 billion, would have to progress to become a more commercial, accountable, and transparent organization to meet EU expectations.

1.5 Against this background, the Road Improvement and Traffic Safety Project was designed to contribute to reducing road transport costs, systemically improving the approach to traffic safety, and helping KGM to improve its operations. This PPAR explores the impact and effectiveness of the project as well as the consequences of closing the project before implementation was completed. The decision not to extend the closing date was made in the context of the serious financial crisis that overtook the country in 2001. As with all tough decisions, it also had some adverse consequences, which are examined in this report.

---

2. Objectives and Overview

2.1 The objectives and components of the project are shown in Box 1.

<table>
<thead>
<tr>
<th>Box 1: Project Objectives and Components</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Objectives</strong></td>
</tr>
<tr>
<td>• The reduction of road transport costs through infrastructure improvements and the protection of past investments in the highway sector through rehabilitation and strengthening of paved highways;</td>
</tr>
<tr>
<td>• The improvement of traffic safety in state and provincial roads;</td>
</tr>
<tr>
<td>• The improvement of the operational efficiency of KGM through the implementation of management systems and computerization; and,</td>
</tr>
<tr>
<td>• Improvement in the consideration of environmental factors in project selection and design.</td>
</tr>
<tr>
<td><strong>Components</strong></td>
</tr>
<tr>
<td>• The Road Improvement Program, comprising the strengthening or upgrading of about 600 kilometers of high-priority state roads, and about 300 kilometers of roads and town passages. (US$304.6 million; 78.2 percent of project cost)</td>
</tr>
<tr>
<td>• The Traffic Safety Program (US$ 78.9 million; 20.3 percent of project cost), which included:</td>
</tr>
<tr>
<td>- Civil works for the improvements of road sections identified as accident black spots;</td>
</tr>
<tr>
<td>- Provision of road safety materials for improved traffic management for installation by the KGM;</td>
</tr>
<tr>
<td>- Provision of equipment for the Turkish Traffic Police (TTP) for the enforcement of traffic regulations in a pilot network;</td>
</tr>
<tr>
<td>- Medical equipment to improve the emergency response of the University Hospital at Gazi University;</td>
</tr>
<tr>
<td>- Educational equipment and literature for carrying out road safety campaigns in selected schools;</td>
</tr>
<tr>
<td>- Extension of TTP’s accident database to other users through the creation of an Accident Data Bank; and</td>
</tr>
<tr>
<td>- Technical assistance and training for the agencies involved in traffic safety covering the design, implementation, monitoring, and evaluation of the pilot and national programs.</td>
</tr>
<tr>
<td>• The Institutional Development Program, consisting of the introduction of various management systems and computerization throughout KGM and training of KGM staff in the areas of environmental analysis, road planning, construction and maintenance. (US$5.8 million; 1.5 percent of project cost)</td>
</tr>
</tbody>
</table>

2.2 On September 28, 1999, an amendment to the objectives was approved by Bank management to cover some of the repairs for the damage to federal roads resulting from the Marmara earthquake. However, KGM decided that the urgency of the need to restore former levels of road serviceability was such that it would finance the necessary works from domestic resources, using accelerated local procurement methods that would not have conformed with the Bank’s procurement guidelines. One year later, on September 27, 2000, a further amendment restored the original objectives of the project unchanged.
2.3 The road improvements comprised the rehabilitation of important sections of state roads carrying high volumes of truck traffic and selected sections of the provincial road network including town passages, the latter being prioritized on the basis of a multi-criteria analysis that included social factors such as all-weather access, social integration, and improved market access. The envisaged upgrading was expected to contribute directly to the alleviation of poverty in the areas served.

2.4 The Government of Turkey identified road accidents as one of the more serious problems facing the nation. The fatality and injury rates were extremely high compared to the average figures for both the EU and central and eastern Europe and concern was expressed that with road traffic growing at nearly 8 percent annually a Road Traffic Safety Action Plan was necessary. A Traffic Safety Task Force was consequently established to coordinate traffic safety work and oversee the implementation of the proposed Bank-financed Traffic Safety project.

3. Preparation and Implementation

3.1 There was no Quality at Entry assessment of the project by the Bank’s Quality Assurance Group, but project preparation on balance was satisfactory. Although the degree of planning and preparation for the upgrading of state roads was inadequate and resulted in initial plans for modest upgrading to be changed in some cases to major works involving four-lane highways, the ambitious traffic safety program was especially well conceived. Preparation took account of the Bank’s safeguard policies and made efforts to limit cost overruns that had been endemic in previous projects. The objectives of the project were consistent with the objectives of both the Country Assistance Strategy (CAS) and government priorities. The CAS stressed the importance of infrastructure development, while the Government of Turkey emphasized the need to ease transport bottlenecks and especially the need to reverse the poor road safety record, which had become a concern to the general public and was a potential threat to the important Turkish tourist industry. Project design was focused largely on the traffic safety component with relatively limited institutional strengthening objectives for KGM.

3.2 In previous Bank-funded road projects in Turkey cost overruns were commonplace. Moreover, the implementing agency (KGM) managed project implementation schedules through rationing the amount of counterpart financing made available. This meant that projects took much longer to implement than they should. The Bank was concerned about the very poor allocation efficiency of this practice and had frequent discussions with KGM on the issue, advising that it did not want to participate in an excessive number of projects due to such poor prioritization procedures and refusing to include additional new works under the loan. Any cost increases were to be limited to less than 15 percent over the original contract cost and the Bank insisted upon seeing the final designs before bidding. Because the bidding was often based on preliminary (and sometimes obsolete) designs, financial provisions were often inadequate to meet the project objectives and the whole process put upward pressure on project costs. KGM included too many projects in its program (almost certainly due to political pressures that encouraged it to report that the projects in question were in implementation). This
resulted in increased contractor costs, since equipment could not be used efficiently, while materials had to be purchased in smaller quantities and sometimes held in storage. Road deterioration during lengthy implementation periods also pushed up costs.

3.3 The Bank's stipulation that cost increases be kept under 15 percent of the original contract cost was ineffectual because KGM simply financed higher cost increases above the Bank's limit from its own resources. Price increases on nine Bank-financed contracts for the upgrading of state roads in this project led to final contract costs that averaged 71 percent higher than the bid prices based on preliminary designs. While it is standard practice to use unit prices to make minor adjustments, in these cases the adjustments sometimes included the addition of bridges and service roads. This custom had persisted through the previous four Bank-supported road projects in Turkey and the agency's operating procedures were firmly entrenched, notwithstanding dialogue with the Bank on such matters. Bank-financed projects represented a very small percentage (less than 1 percent) of KGM's annual budget and KGM had previously been noted as perceiving the Bank more as a source of funding than a partner in development.

3.4 This situation was finally addressed not through the project, but by the Prime Ministry under the Programmatic Financial and Public Sector Adjustment Loan II (PFPSAL), which was introduced after the national financial crisis of 1999, resulting during 2001 and 2002 in a reduction in the size of the portfolio of approved projects and the introduction of a requirement that any new foreign-funded projects would have to be based on a final design audited by independent experts. This also had the effect of reducing the implementation time of projects. Furthermore, the systematic audit of proposed road projects was incorporated into the Guidelines for Preparation of the 2003 Investment Program, along with a requirement that environmental impact assessments need to be undertaken. The stipulations for foreign-funded projects have now (at least in theory) also been extended to all new projects.

3.5 With regard to the Road Traffic Safety Program, the Bank initially had protracted discussions with KGM over the wisdom of appointing an international consultant with an integrated multi-disciplinary view. KGM was reluctant to do this as they believed this would not add sufficient tangible value to the program. They had a history in previous projects of failing to implement components involving foreign consultants. The Bank, for its part, wished to avoid a bias toward solutions requiring expensive civil works. It was therefore a credit to the Bank task team and to KGM that they successfully negotiated the appointment of an appropriate international consultant with strong safeguards to ensure a balance between both views. The Bank also committed to finance the early stages involving black spot (hazardous road accident location) improvements of the newly drawn up National Road Safety Program (NRSP). It was also initially agreed that a pilot project would be developed with the help of the consultants to incorporate state-of-the-art worldwide knowledge and methods of road safety. However, because of great political pressure to make urgent progress with black spot elimination, which had become a major public issue, the pilot scheme was dropped and the consultants assisted in the implementation of the entire safety program. This outcome, though probably second best,

2. Prime Ministry Circular No. 2002/4
was a satisfactory and pragmatic solution because there was a high degree of ownership by the borrower at all levels and appreciation for the Bank’s support of the NRSP.

3.6 Bank supervision was coordinated by the same project leader throughout the six years of project implementation. This person ensured that the procurement standards were tightened up and fully complied with Bank procedures, bringing requirements that KGM was unused to. This was not welcomed by KGM and led to a perception of bureaucratic delays by the Bank. While it is clear that in some cases the Bank was tardy in reacting to a request for “no objection,” on most occasions investigated by the assessment mission, the borrower contributed substantially to the delays by not responding in a timely manner with the submission to the Bank of information needed to make the approval in question. The Bank’s decision not to extend the project beyond the closing date also caused resentment as a number of project components were left unfinished; some US$20.25 million of loan funds were cancelled. The Bank based this resolution on the extent of the incremental gains anticipated through the extension measured against the need, agreed with the Treasury, to substantially reduce the number and duration of projects in the overall portfolio in light of the serious financial crisis gripping the country.

4. Ratings

Relevance

4.1 Project relevance is rated high based on the close alignment with the country’s development priorities. The importance to general economic development, including trade and tourism, of efficient highway connections is crucial and the need to tackle the road traffic safety problem is a very high priority for the government, reflecting concern from the general public at Turkey’s extremely poor road accident record. Improved access to, from, and through small rural towns aimed at alleviating poverty is also in line with both the CAS and government policy. The lesser objectives on the environment and improving the institutional strength of KGM are also fully in accord with overall priorities. The project is also in line with the overview of the transport sector produced by the Bank’s resident mission.

Efficacy

4.2 The efficacy of the project is rated substantial, but with qualifications in the context of the original objectives. The objective framed for the road component consisted of a main road portion of about 600 kilometers and a rural road portion of about 300 kilometers. In the event, some 356 kilometers in two-lane equivalents of main road were successfully rehabilitated including the important sections for Ankara–Kirikkale, Uşak–Kula, and Ankara–Polatlı–Sivrihisar. Although some works were not completed due to the earlier than expected project closure included sections of the Delice–Sungurlu–Çorum road, only nine percent of KGM’s share of the loan allocation was unexpended when the project closed. Urgently needed machinery, equipment, and spare parts to supplement
KGM's existing equipment inventory were successfully procured, but development of the proposed Highway Information System suffered a serious setback. However, the environmental objective was fully achieved, because KGM established a fully staffed Environmental Directorate which carried out its duties in a satisfactory manner. All environmental matters in the project were handled appropriately. Measurement of the KGM operational efficiency objective was limited to how many staff were trained (50 against a target of 20).

4.3 Rural road improvements under the project were to have been 100 percent financed by KGM, but due to changing priorities, including greater focus on black spots, only 5 percent of the amount agreed at appraisal of US$23.17 million was formally set aside by KGM. Construction of town passages was much less affected and 141 small works were successfully completed with a large impact on traffic safety. Overall, it is concluded that useful savings were made in road transport costs, but not to the full extent originally envisaged.

4.4 The equipment purchases and consultancy services under the traffic safety component were mostly completed. By project closure 317 accident black spots were upgraded under 210 small contracts, using both loan and local funds, leaving only 87 still to be attended to. Some safety-related materials and services were not purchased and the production of an educational video had to be cancelled. Regarding traffic law enforcement services, a state-of-the-art Traffic Information Center is now fully operational and appropriate training in modern enforcement methods has been carried out, 4,000 global positioning devices and 234 laptop computers have been fitted into existing patrol cars, 744 computers and 356 printers have been procured for traffic enforcement agencies, but 121 new fully equipped traffic patrol cars could not be procured in time before project closure.

4.5 The extent of the improvements in traffic safety, despite the partial completion of the safety component of the project, were substantial. KGM evaluated a sample of 152 road accident black spots at hazardous road sections and recorded that 143 (94 percent) of these improvements were successful in practice. Monitoring of these hazardous locations showed that accidents fell by 74 percent and fatalities by a remarkable 94 percent. Table 1 and Figure 1 below show the dramatic impact of the black spot improvement program on a sample of sites monitored by Gazi University. In comparison with similar investments internationally this investment is considered a cost effective way of achieving the desired outcome.

<table>
<thead>
<tr>
<th>79 Black Spot Improvement Projects</th>
<th>Years</th>
<th>Number of Accidents</th>
<th>Number of Deaths</th>
<th>Number of Injuries</th>
<th>Number of Damaged Vehicles</th>
</tr>
</thead>
<tbody>
<tr>
<td>Before Rehabilitation</td>
<td>1996</td>
<td>3635</td>
<td>270</td>
<td>2905</td>
<td>5565</td>
</tr>
<tr>
<td>During Rehabilitation</td>
<td>1998</td>
<td>1156</td>
<td>45</td>
<td>742</td>
<td>1949</td>
</tr>
<tr>
<td>After Rehabilitation (yr 1)</td>
<td>1999</td>
<td>1012</td>
<td>40</td>
<td>643</td>
<td>1718</td>
</tr>
<tr>
<td>After Rehabilitation (yr 2)</td>
<td>2000</td>
<td>921</td>
<td>28</td>
<td>554</td>
<td>1613</td>
</tr>
</tbody>
</table>

Source: Gazi University
Figure 1. Effect of Improvements to Black Spots (1996-2000)

<table>
<thead>
<tr>
<th>Year</th>
<th>Number of Accidents</th>
<th>Number of Deaths</th>
<th>Number of Injuries</th>
<th>Number of Property Damaged Vehicles</th>
</tr>
</thead>
<tbody>
<tr>
<td>1996</td>
<td>□ 4,000</td>
<td>□ 100</td>
<td>□ 3,000</td>
<td>□ 500</td>
</tr>
<tr>
<td>1998</td>
<td>□ 3,500</td>
<td>□ 75</td>
<td>□ 2,500</td>
<td>□ 450</td>
</tr>
<tr>
<td>1999</td>
<td>□ 3,000</td>
<td>□ 50</td>
<td>□ 2,000</td>
<td>□ 400</td>
</tr>
<tr>
<td>2000</td>
<td>□ 6,000</td>
<td>□ 125</td>
<td>□ 4,000</td>
<td>□ 600</td>
</tr>
</tbody>
</table>

Source: Gazi University

4.6 The Gazi University pilot project at three hospitals demonstrated that emergency response services could substantially improve the time taken to get accident victims to hospital, with better treatment at the scene by paramedics. While it is still too early to say with conviction that the national road accident picture is showing a sustained improvement, it has been reported that there is a leveling off in the number of reported accidents and a decline in fatal injury accidents, but this could be due to a number of factors. According to Aydin the NTSP is to be applied countrywide between 2002 and 2012, with the first detailed interim evaluation of results scheduled for 2006. The project was accorded a high profile and the Turkish Parliament had a special session to debate the matter in which the Bank Country Director was invited to participate. It noteworthy that the project succeeded in improving road safety education by upgrading school curricula content. A study tour to Finland was also organized for a group of educators who were introduced to the latest concepts in adult traffic education and guidelines for target groups such as elderly drivers.

Efficiency

4.7 The efficiency of the project is rated modest. Bank staff were, for example, unsuccessful in persuading KGM to alter its long-standing practice of awarding contracts for which an inadequate amount of counterpart funding was available and did not manage

to change the custom of basing costing on preliminary design estimates. These inefficiencies led to the project falling short of its objectives, taking longer to implement than planned. Higher than anticipated construction costs and lower than expected traffic volumes following the economic crisis of 2001 reduced the ERR from 25.6 percent (expected) to a still acceptable, but disappointing, 16.4 percent (actual). In the view of the assessment mission the revised assumptions were realistic.

4.8 The traffic safety component was reasonably efficient in meeting its intended objectives considering that not all items could be financed by project closure. Cooperation between the various agencies was also fairly well coordinated by KGM, given that there had been little precedent for this kind of collaboration before. However, there were nevertheless some disjunctions caused by the non availability of key team members (Gazi University), difficulties with synchronizing budgetary systems and problems in ensuring proper documentation was submitted on time. The latter led to the failure to procure traffic patrol cars before project closure.

Outcome

4.9 Overall, the outcome of the project is rated moderately satisfactory. Although the traffic safety component was evidently successful and a number of important road improvements were completed, the higher than expected costs, long delays and the decision not to extend the closing date, leading to unfinished construction and procurement arrangements, counted against a fully satisfactory outcome.

Institutional Development Impact

4.10 Institutional development impact is rated modest. The institutional development impact of the project was disappointing in several respects. While KGM had a record as a competent organization, there were a number of ways in which its operations could have been improved and its efficiency level raised (see Chapter 3). KGM’s method of contracting for major works remained defective, despite the discussions with the project team, until interventions by the Prime Ministry forced a review, following the financial crisis of 2001.

4.11 The institutional development component, as appraised, was relatively modest in scope and focused on finalizing design work and the implementation of a simple Pavement Management System. During project implementation KGM decided to expand the scope of the component and include a comprehensive Highway Information System. Although KGM staff made substantial efforts to design the system, which required coordination with the Turkish Mapping Agency (under the Army) with both the Police and its own information systems, the task proved to be considerably more difficult than expected and the Bank agreed to finance two experts from the U.S. Federal Highway Administration to provide specialized assistance. The consultants helped to disaggregate the component into manageable modules, but progress continued to be slow. Following

---

the decision not to extend the closing date of the project, implementation was left to be funded from KGM’s own resources, but the assessment mission confirmed that the process had been stopped at least for the short to medium term as KGM now has different priorities. It must be concluded that since the project was in implementation for six and a half years there was little real commitment to finalize the work, which is unfortunate because the information yielded from such a system could have helped to further modernize the organization.

4.12 On the more positive side, some 56 members of KGM’s staff were trained in 10 areas of expertise ranging from environment and design to contract administration and materials technology at a cost of US$1.3 million. KGM also deserves credit for its role in coordinating a number of different government departments as well as university staff, unused to working together as a team. It took the lead in the task force for road safety and supported the other executing agencies in the areas of procurement and financial management. The result of the participatory approach was that each organization brought its own perspective to the traffic safety problem and there was strong “buy-in” and ownership of the strategy that evolved.

4.13 The road safety team approach successfully provided a model for future cooperation, but was not without problems. In particular the harmonization of financial arrangements, departmental bureaucratic problems, and lack of continuity of staff posed some serious difficulties that contributed, for example, to the under-spending of the emergency aid pilot project and the failure to make a timely purchase of the specified traffic patrol cars.

**Sustainability**

4.14 Sustainability is rated **likely**. KGM is a mature organization with a good technical record and an annual budget exceeding US$1 billion. Turkey places a high value on the effectiveness of its road system and relatively large budgets are made available to sustain and upgrade the network. The recent moves by the Prime Ministry to ensure greater efficiency in resource allocation will strengthen this position. For example, KGM has continued to streamline its workforce through a planned reduction of direct-hire staff, which declined from 35,100 in 1994 to 24,000 today. The decision to call for bids in future to be based on full rather than on preliminary designs and the reduction in the size of the project portfolio to be managed are significant steps forward.

4.15 The traffic safety initiative has been strengthened by the government through the NTSP since the project closed and is to be monitored at the highest level over the next 10 years. Because it is important to the general public and to Turkey’s bid for EU accession, it has a high political priority and there is no doubt as to its continuity and assured funding.

**Bank Performance**

4.16 Bank performance is rated **satisfactory**, but with some reservations. Identification, preparation, and appraisal were all performed adequately and the intention to move the Bank-KGM dialogue to a new level of cooperation was well-intentioned.
With regard to the road components this new level of understanding was not achieved, however, and the Borrower was resistant to the perceived (though clearly justified) tightening of Bank procedures. On the other hand, progress in cooperation was made in the traffic safety component and differences were resolved in a proactive way. Bank supervision was generally sound, but there is no doubt that both the Bank and Borrower contributed to the delays at important decision points during implementation. The Bank could have moved with more urgency on some occasions to speed up its responses to the “no objection” requests. This matter was also raised by the Under-secretariat of the Treasury and the Bank has in the meantime taken steps to streamline its procurement activities.7

4.17 Bank’s decision to close the project without an extension of time to complete unfinished construction works and procurement activities was obviously taken badly by KGM and the Traffic Safety Coordination Unit as they had entered into a number of contracts on the assumption that the financing stream would continue, despite warnings to the contrary. However, this difficult decision was a direct result of the financial crisis in 2000/2001, which led to a reduction in the number of projects in the portfolio - a resolution that emanated from a joint review by the Bank and Treasury in October 2002. The decision was made taking into account the expected incremental gains that would be achieved during a further implementation period, set against the urgent need to downscale the portfolio size and to impress upon the government the gravity of KGM’s costly practices.

4.18 Although the Treasury officials did subsequently request an extension of the loan by nine months, this was turned down by the Bank in January 2003 on the grounds that the overall benefits continued to outweigh the costs of closure before project completion as only ten per cent of the loan had not been disbursed. In addition, KGM did have other resources and would be able to complete the project albeit over a longer time-span. As far as the construction works were concerned, however, it was realized that little further progress would be possible between the decision date and the date of closure (March 31, 2003) because construction work in the interior of Turkey is suspended during the harsh winter season (December through March). The items outstanding at project closure were:

- Some highway sections were not completed. This mainly affected the Delice–Sungurlu–Çorum contracts that had already been awarded. When the assessment mission inspected the contract some 16 months after loan closure, work was nevertheless in progress using own funds, but at a much slower rate than before.
- Thermoplastic paint road markings and weighing scales which were financed from the local budget.
- Magnetic resonance equipment and traffic safety videos contracts which were cancelled, while purchases of various road safety materials and roadside delineators were not carried out.
- Work on the Highway Information System (including a traffic safety data bank) was stopped.

• 121 *traffic patrol vehicles* were not procured under the project.
• A number of *black spots and town passage improvements* were deferred.

4.19 In addition a measure of irritation and frustration was generated which set back the improving relationship between KGM and the Bank. The prospect of further progress in improving the efficiency of KGM’s operations through making the Highway Information System operational also sharply receded. However, there was no certainty that had the loan continued for a further nine months this particular assignment would have been completed either within the budget or the timeframe.

4.20 In summary, Turkey was in the midst of a very serious macro economic and financial crisis. In line with the latest government policy directive, the loan portfolio was reduced in size. Since the objectives of this project had by this time largely, though not entirely, been achieved, with 90 percent of the loan disbursed, and since there was a reasonable probability that KGM would be able to complete the project using its own resources over time, the decision to close the project without an extension of time was rational, even if painful.

**Borrower Performance**

4.21 Borrower performance is also rated *satisfactory*, but with certain caveats. The implementing agency, KGM, is a substantial and technically competent organization. This was a large project involving loans to the value of US$250 million. At closure, some US$202.32 million had been disbursed, while US$20.25 million equivalent (10 percent) was cancelled. The remaining shortfall of US$27.43 million resulted from changes in currency values during implementation. From the Borrower’s side there was also a shortfall in counterpart funds. In this case, some funds were diverted to other priorities (especially from rural roads), but there was also a significant impact from currency fluctuations. Overall, however, most of the project was accomplished, and given another nine months it may have been virtually completed. It is clear that the refusal to extend the loan period was unexpected to KGM (although this had been communicated on several occasions), as it was a departure from their previous experience with the Bank.

4.22 The Borrower’s main problem areas were tardiness in submitting information to the Bank on time, some internal inefficiencies, and the relatively new experience for many of the parties concerned, to work in a complex interdepartmental team environment. There was also an attitude, certainly with regard to the road component, that the loan was akin to a commercial source of funds and that KGM’s internal practices were outside of the Bank’s purview. In other words, there was little development partnership understanding.

4.23 On the other hand, the traffic safety component broke new ground in Turkey and the Borrower and the Bank worked much better together. KGM did well to coordinate satisfactorily with other government departments and agencies, and with academia. The performance of these partners varied, but was satisfactory on the whole; they also took good advantage of the presence of the international consultants especially in learning and applying the latest knowledge regarding the design of improvements for the elimination of black spots.
5. Conclusions and Lessons

The Governance Issue

5.1 Achieving a satisfactory and genuine development partner relationship is a major challenge, especially at the operational level. This is the classic case where the implementing agency exhibited rent-seeking behavior and saw the Bank as a commercial rather than a development partner. Real change to address KGM’s inefficiencies came about only after matters were brought to a head by a financial crisis, which helped focus the Treasury and Prime Ministry on the elimination of poor practices that had become accepted over the years. It illustrates that improvements in governance cannot always be achieved at project level and often requires a holistic approach. Today, the Bank gives greater prominence to poor governance issues and these are increasingly being tackled through institutional reform projects that do not go forward unless backed by political will.

The Request for a Loan Extension

5.2 It was a difficult decision to deny the loan extension and it is understandable that this call had to be made urgently during a financial crisis. The decision to reduce the size of the loan portfolio was jointly taken between the Bank and the Treasury and a clear message was also signaled that the problems and poor practices encountered at the operational level had to be eliminated. One could question whether the matter had to be addressed in such a radical way, since it created much bitterness with KGM and its partners, but clearly a strong stance is sometimes necessary to bring about change and decisions of this nature are always a judgment call.

The Traffic Safety Component

5.3 This component had some interesting features. It is unusual for a road safety project to have such a high level of political support and, even though the project was not completed as designed, it did achieve a great deal. The task team and the implementing agency showed great flexibility in tailoring it to the NTSP and to ensuring there was strong local ownership. While the approach followed may not have been ideal in theory, the fact that a participatory opportunity existed for all stakeholders to contribute ideas, more than compensated for this. It should also be mentioned that KGM showed strong leadership in ensuring that the diverse traffic safety team worked together successfully. The learning from this project could be useful in other road traffic safety initiatives elsewhere and in particular it is noted that very significant benefits can be derived from low-cost black spot improvements.

5.4 The following lessons may be drawn from the experience of this project:

- Improvements in governance can best be achieved when there is a holistic program of institutional reform mandated at the highest levels of government, with interactive communication with operational staff to ensure that the changes take place in the field as envisioned.
Traffic safety projects can be particularly successful where there is strong government commitment and support and where a participatory approach is pursued to ensure the support of all the diverse stakeholders. The key to success is to show what can be done and to have the right information, monitoring and evaluation systems in place so that a national program can be rolled out and its success measured.

The elimination of road accident black spots can be a highly cost effective way to reduce both the accident rate and the degree of severity of the accidents occurring.
Annex A. List of Country Officials Consulted

Prime Ministry: Under-secretariat of Treasury
Nurse1 Durucakoglu Division Chief
Ozgur Pehlivan Head of Department
Osman Gundopdu Associate

KGM: General Directorate of Highways
Ismail Tumay Deputy Director General
Yasar Yilmaz Director, External Loans Coordination Div.
Hansan Piskin Director & Deputy Head of Construction
Mircahit Arman Director, Planning Div.
Yusuf Kogar Director
Mustafa Kizilkaya Director, Road Project
Mustafa Karademir Head of Survey & Design Dept.
Ahmet Bulut Head of Maintenance Dept.
Ayse Kurt Deputy Director, External Loans Coordination Div.
Elif Soykan Economist, Planning Div.

Ministry of National Education, Road Safety Program
Yuksel Polat Director, Road Safety Program
Osman Yildirim Section Manager
Kerim Inal Specialist, Road Safety

Gazi University, Ankara
Prof Dr Mehmet Ali Bumin Head of Research & Prevention Inst. on Accidents

EGM: General Directorate of Security
Ali Bilkay Head of Traffic Research Center
Yilmaz Bostrip Specialist, Traffic Research

World Bank, Ankara
Elif Yonca Yukseker Administrative Support

Atilim University, Incek-Ankara
(Paper presented at the 10th World Conference on Transport Research, Istanbul).
Dr. Cumhur Aydin Assistant Professor, Dept. of Civil Engineering
Annex B. Basic Data Sheet

**ROAD IMPROVEMENT & TRAFFIC SAFETY PROJECT**

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

<table>
<thead>
<tr>
<th></th>
<th>Appraisal estimate</th>
<th>Actual or current estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total project costs</td>
<td>389.30</td>
<td>308.37</td>
</tr>
<tr>
<td>Loan amount</td>
<td>250.20</td>
<td>250.20</td>
</tr>
<tr>
<td>Cofinancing</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>Cancellation</td>
<td>N/A</td>
<td>20.25</td>
</tr>
<tr>
<td>Economic rate of return (%)</td>
<td>25.6</td>
<td>16.4</td>
</tr>
</tbody>
</table>

**Project Dates**

<table>
<thead>
<tr>
<th></th>
<th>Original</th>
<th>Actual</th>
</tr>
</thead>
<tbody>
<tr>
<td>Appraisal Mission</td>
<td>06/21/1995</td>
<td>06/21/1991</td>
</tr>
<tr>
<td>Board approval</td>
<td>06/20/1996</td>
<td>06/20/1996</td>
</tr>
<tr>
<td>Closing date</td>
<td>03/31/2003</td>
<td>03/31/2003</td>
</tr>
</tbody>
</table>

**Staff Inputs**

<table>
<thead>
<tr>
<th></th>
<th>Actual/Latest Estimate</th>
<th>No. staff weeks</th>
<th>US$(’000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Identification/Preparation</td>
<td>N/A</td>
<td></td>
<td>104</td>
</tr>
<tr>
<td>Appraisal/Negotiation</td>
<td>N/A</td>
<td></td>
<td>232</td>
</tr>
<tr>
<td>Supervision</td>
<td>N/A</td>
<td></td>
<td>744</td>
</tr>
<tr>
<td>ICR</td>
<td>N/A</td>
<td></td>
<td>20</td>
</tr>
<tr>
<td>Total</td>
<td>N/A</td>
<td></td>
<td>1100</td>
</tr>
</tbody>
</table>
**Mission Data**

<table>
<thead>
<tr>
<th>Date (month/year)</th>
<th>No. of persons</th>
<th>Specializations represented</th>
<th>Performance rating</th>
<th>Rating trend</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Identification/ Preparation</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>07/11/1994</td>
<td>3</td>
<td>TM, HE, Tr. Economist</td>
<td></td>
<td></td>
</tr>
<tr>
<td>11/07/1994</td>
<td>3</td>
<td>TM, HE, Tr. Economist</td>
<td></td>
<td></td>
</tr>
<tr>
<td>02/13/1995</td>
<td>4</td>
<td>TM, HE, Tr. Economist, RSE</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Appraisal/Negotiation</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>06/21/1995</td>
<td>5</td>
<td>TM, HE, FS, Env. Consultant</td>
<td></td>
<td></td>
</tr>
<tr>
<td>03/25/1996</td>
<td>6</td>
<td>TM, HE, FS, Env. PS, Disbursement Specialist</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Supervision</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>09/21/1996</td>
<td>1</td>
<td>TM</td>
<td>HS</td>
<td>S</td>
</tr>
<tr>
<td>04/17/1997</td>
<td>2</td>
<td>TM: PS</td>
<td>S</td>
<td>S</td>
</tr>
<tr>
<td>10/15/1997</td>
<td>3</td>
<td>2 HE; TL</td>
<td>S</td>
<td>S</td>
</tr>
<tr>
<td>05/12/1998</td>
<td>1</td>
<td>TM</td>
<td>S</td>
<td>S</td>
</tr>
<tr>
<td>04/01/1999</td>
<td>2</td>
<td>TL; HE</td>
<td>S</td>
<td>S</td>
</tr>
<tr>
<td>07/15/1999</td>
<td>1</td>
<td>Program TL</td>
<td>S</td>
<td>S</td>
</tr>
<tr>
<td>11/05/1999</td>
<td>2</td>
<td>Program TL; TS</td>
<td>S</td>
<td>S</td>
</tr>
<tr>
<td>06/31/2000</td>
<td>3</td>
<td>Program TL; TS; Senior PS</td>
<td>S</td>
<td>S</td>
</tr>
<tr>
<td>12/01/2000</td>
<td>2</td>
<td>Senior TS; Program TL</td>
<td>S</td>
<td>S</td>
</tr>
<tr>
<td>03/02/2001</td>
<td>1</td>
<td>Program TL</td>
<td>S</td>
<td>S</td>
</tr>
<tr>
<td>10/19/2001</td>
<td>2</td>
<td>Senior TS; Program TL</td>
<td>S</td>
<td>S</td>
</tr>
<tr>
<td>05/04/2002</td>
<td>2</td>
<td>Senior TS; Program TL</td>
<td>S</td>
<td>S</td>
</tr>
<tr>
<td>10/22/2002</td>
<td>2</td>
<td>Senior TS; Program TL</td>
<td>S</td>
<td>S</td>
</tr>
<tr>
<td><strong>ICR</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>06/05/2003</td>
<td>2</td>
<td>Senior TS; Program TL</td>
<td>S</td>
<td>S</td>
</tr>
</tbody>
</table>

Abbreviations:
TL = Team Leader, TM = Task Manager, TS = Transport Specialist, PS = Procurement Specialist, RSE = Road Safety Engineer, HE = Highway Engineer, Env = Environmentalist, FS = Finance Specialist, TE = Transport Economist
Annex C. Borrower Comments

REPUBLIC OF TURKEY
PRIME MINISTRY
The Undersecretariat of Treasury

26.11.04- 72482

Ankara, November 25, 2004

Ref: B 02.1 HM.0.DEI.01.03.192

Mr. Andrew N. Vorkink
Country Director
Country Department VI
The World Bank
Turkey Country Office
Ankara

Dear Mr. Vorkink,

Re: Road Improvement and Traffic Safety Project (Loan No. 4048A)

With reference to the Bank's letter of October 28, 2004 regarding the draft Project Performance Assessment Report for the above mentioned project, please find attached herewith the Borrower's comments on the draft PPAR provided by Ministry of National Education and KGM.

Best regards,

Özgür PEHLİVAN
Head of Department

Encl.

Cc. Ms. Marie Helene Bricknel, Country Manager
Mr. Peter Freeman Task Manager and Lead Evaluation Officer, OED
We believe that PPAR should reflect only the truth, without hiding the realities or diminishing the importance of the facts, if PPAR is intended to be useful for all sides.

The following two comments A and B have been given, just to serve the purpose of our Bank, wishing to evaluate the general effectiveness of the Bank's actions and to develop improved directions, policies, and procedures through the dissemination of lessons drawn from experience.

A) The ICR forwarded to the Bank, explained the most important reasons of delay in completion of the Project in the pages 1-4 of this Report.

Our views are as follows.

Bank's authorized person and staff relating to this loan agreement, couldn't be very helpful, as they didn't know what their duties and positions would be, during the Bank's reorganization.

After completion of the Bank's reorganization, receipt of the Bank's no objection became very difficult and took incredible long durations as;

a) due to reduction in the number of experienced Bank's staff and 
b) due to very high increase in the number of projects, loans, and countries to be taken care by the same Bank's staff. (according to what the Bank's related Program Team staff say) 
c) they couldn't give necessary attention and importance to this Project it deserves

As an example;

Bank's no objection for feasibility studies of Black Spot works (though their solutions, estimated costs, environmental reports, feasibility studies and other tables have been prepared and checked by the KGM and the Consultant firm) could be obtained after numerous correspondence by the Bank and after 64 days and 109 days passed.

In the same way, the Bank's no objection for the Traffic Police Training Program (proposed with the letter of General Directorate of Security dated 19.12.2001) could be obtained with the fax of 21 October 2002 after 10 months passed (302 days).

Similar delays occurred in the receipt of the Bank's no objection, for the works of the Ministry of National Education and Gazi University
In order to have a rough idea about how the World Bank managed this Loan (from the beginning of the Loan upto the end) one can consider the duration past between the dates of our Treasury's application which is November 18, 2002 to the Bank (for extension of closing date of the loan to 31.12.2003) and the Bank's reply date which is 21.Jan.2003.

Bank's Official written message informing the Borrower that the closing date of the Loan would not be extended has been forwarded after 63 days from the date of Treasury's letter and only 70 days before the closing date of the Loan. There was no time to take necessary precautions (making changes in the investment program, providing local funds, warning contractors etc.) for the ongoing contracts, bids, contracts whose tenders had been received. (Please see Clause III).

The Bank has given its consent (no objection) for a contract whose completion duration was 36 months, on 19 June 2002, just 7 months before the fax refusing to extend the completion date of the Loan by 9 months.

THE FOLLOWING PARAGRAPH HAS BEEN TAKEN FROM A BANK'S REPORT (JPFR)

During the Joint Meeting realized among the officials of Undersecretariat of Treasury, World Bank and the Implementing Agencies many project managers voiced their frustration with delays in obtaining the World Bank's response on procurement matters. They pointed out that it was difficult to plan ahead without knowing by when a response on a particular procurement matter can be expected by the Bank. It is therefore recommended that all World Bank TTLS acknowledge, receipt of procurement documents within 3 days of receipt and provide an indication by when the Bank's response can be expected."

This rule hasn't been applied in our RISP Project. As a result of this, we have received the messages saying "We haven't received the documents" or "Some documents are missing" after 3, 4, 5 months and upon our 3-4 reminding and warning faxes to the Bank to receive reply, while we are expecting to receive Bank's messages for "Consent of Bank" or "No objection messages of Bank" as it was already stated in the paragraphs 18, 19., 20 of the page 3 and Clause 8 of the page 4 of the ICR.-KGM

If the Bank wishes, it can continue to understand and express this very important criticism above, taking lightly as "it is clear that in some cases the Bank was tardy in reacting to a request for "no objection" on most occasions investigated by the assessment mission" or "There is no doubt that both the Bank and Borrower contributed to the delays at important decision points during implementation. The Bank could have moved with more urgency on some occasions to speed up its responses to the "no objection" requests." as was expressed by the Bank in PPAR.

B) Fax of 21st Jan. 2003 said "We feel that the incremental gains that might be made during a further implementation period are not great enough to justify an extension...."
Considering the circumstances *(given in pages 5-6 of this letter) determined by
the Bank itself and views** of the Borrower in ICR *(has been given in pages 7-9 of
this letter given below, we leave a) The judgement of the correctness of this statement
above and b) Correctness of the Bank's performance evaluation by it self as
"satisfactory" to the Bank's experienced persons and all other readers:

1. The Officials of Borrower (Undersecretariat of Treasury) did subsequently
request an extension of the loan by nine months, this was turned down by the
Bank in January 2003 as it was also stated in Clause I of this letter.

2 There was money (an undisbursed loan amount) of US$ 23,249,140.26 whose
commitment charges had been paid to the Bank for a period of 7 years. to be
expended in the Loan . (Please see Clause II).

3. There were many items outstanding at project closure (Please see Clauses III
and IV)

Implementing Agencies were left to the position of canceling the bids whose
tenders had been received, upon not extending the closing date . Please see
Clause V)

5 In order to have a rough idea about how the World Bank managed this Loan
(from the beginning of the Loan upto the end) one can consider the duration
past between the dates of our Treasury's application which is November 18,
2002 to the Bank (for extension of closing date of the loan to 31.12.2003) and
the Bank's reply date which is 21 Jan. 2003.

Bank's Official written message informing the Borrower that the closing date of
the Loan would not be extended has been forwarded after 63 days from the date
of Treasury's letter and only 70 days before the closing date of the Loan. There
was no time to take necessary precautions (making changes in the investment
program, providing local funds, warning contractors etc) for the ongoing
contracts, bids, contracts whose tenders had been received. (Please see
Clause III).

The Bank has given its consent (no objection) for the contract whose
completion duration was 36 months, on 19 June 2002, just 7 months before the fax
refusing to extend the completion date of the Loan by 9 months

Sincerely speaking, we had thought that the Bank would evaluate itself as
"Unsatisfactory" if not "Very Unsatisfactory" considering the reasons explained in "Data
Necessary for the Bank to Evaluate the Performance of the Bank by Itself" Part of the
ICR.

We had evaluated the Bank "as successful" and thanked to all Bank's Staff working for
the loans we have received before. We thanked also the Bank's staff working in the
Residential Office of the Bank and Disbursement Division of the Bank related to our Loans of
4048A-TU and 4049-TU. We wish, we could evaluate the
performance of other staff involved in this project also as Successful, as the other Banks Staff instead of Unsuccessful.

From the contents and assessments made in the Draft PPAR, it is understood that ICR and its attachments (788 pages) couldn't be evaluated well. We believe that Evaluation of ICR Review for the Borrower should be done once more.

Your enclosing these 9 pages to PPAR will be highly appreciated.

THE FOLLOWING DETERMINATIONS, FIXATIONS AND OBSERVATIONS REALIZED BY THE BANK ITSELF, HAVE BEEN TAKEN FROM THE PPAR (PROJECT PERFORMANCE ASSESSMENT REPORT) PREPARED BY THE BANK.


Clause II. (PREFACE, 4.21) US$20.25 (Please change this figure with the correct value of US$ 23,249,140.26 or EURO 21,111,257.47 as was informed by our letter in reference "a" above.-KGM) MILLION WAS CANCELLED, WHILST A FURTHER US$27,43 (Please change this figure with the correct value of US$ 24,431,819.28 -KGM) MILLION WAS ACCOUNTED FOR BY CHANGES IN CURRENCY VALUES DURING IMPLEMENTATION.

Clause III. (4.18) The items outstanding at project closure were:

- Some highway sections were not completed. This mainly affected the Delice-Sungurlu-forum contracts that had already been awarded. When the assessment mission inspected the contracts some 16 months after loan closure, work was nevertheless in progress using own funds, but at a much slower rate than before.

(4.11) Following the decision not to extend the closing date of the project, implementation was left to be funded from KGM's own resources, but the assessment mission confirmed that the process had been stopped at least for the short to medium term as KGM now has different priorities.

(1.3) ABOUT 7,000 FATALITIES OCCUR ANNually ON TURKEY'S ROAD SYSTEM AND THE LOSSES BECAUSE OF INJURIES AND PROPERTY DAMAGE ARE ESTIMATED TO BE IN THE ORDER OF 2 PERCENT OF GROSS DOMESTIC PRODUCT. TO PUT THIS IN PERSPECTIVE, THIS MEANS THAT EVERY TWO YEARS THE DEATH TOLL FROM ROAD ACCIDENTS IS EQUIVALENT TO THAT IN THE TRAGIC MARMARA EARTHQUAKE OF 1999.

(4.4) BY PROJECT CLOSURE, 317 ACCIDENT BLACK SPOTS WERE UPGRADED UNDER 210 SMALL CONTRACTS. USING BOTH LOAN AND LOCAL FUNDS, LEAVING ONLY 87 STILL TO BE ATTENDED TO. SOME SAFETY-RELATED MATERIALS AND SERVICES WERE NOT PURCHASED AND THE PRODUCTION OF AN EDUCATIONAL VIDEO HAD TO BE CANCELLED.
(4.5) THE EXTENT OF THE IMPROVEMENTS IN TRAFFIC SAFETY. DESPITE THE PARTIAL COMPLETION OF THE SAFETY COMPONENT OF THE PROJECT, WERE SUBSTANTIAL. KGM EVALUATED A SAMPLE OF 152 ROAD ACCIDENT BLACK SPOTS AT HAZARDOUS ROAD SECTIONS AND RECORDED THAT 143 (94 PERCENT) OF THESE IMPROVEMENTS WERE SUCCESSFUL IN PRACTICE. MONITORING OF THESE HAZARDOUS LOCATIONS SHOWED THAT ACCIDENTS FELL BY 74 PERCENT AND FATALITIES BY A REMARKABLE 94 PERCENT.

(4.18) The other items outstanding at project closure were:

- Thermoplastic paint road markings and weighing scales which were financed from the local budget.
- Magnetic resonance equipment and traffic safety videos contracts which were cancelled, while purchases of various road safety materials and roadside delineators were not carried out.
- Work on the Highway Information System (including a traffic safety data bank) was stopped.
- 121 traffic patrol vehicles were not procured under the project.
- A number of black spots and town passage improvements were deferred.

Clause IV. (4.19) The prospect of further progress in improving the efficiency of KGM's operations through making the Highway Information System operational also sharply receded.

(Bid documents have been prepared with the contribution of the Bank's consultants and Federal Highway Administration's consultants after a long common study. Announcement pertaining to HIS was published also in UN Development Business on 30.06.2001. Though Prequalifications have been realized and the Short List has been prepared and many tenderers hired consultants from abroad and strengthened their firms to give their tenders: and the Bank has given its no objection on 19 June, 2002 the process was stopped upon Bank's not extending the closing date of the Loan. - KGM)

Clause V. (4.17) Bank's decision to close the project without an extension of time to complete unfinished construction works and procurement activities was obviously taken badly by KGM and the Traffic Safety Coordination Unit as they had entered into a number of contracts on the assumption that the financing stream would continue.

Clause Vi. (4.9) Overall, the outcome of the project is rated moderately satisfactory. Although the traffic safety component was evidently successful and a number of important road improvements were completed, the higher than expected costs, long delays and the decision not to extend the closing date leading to unfinished construction and procurement arrangements, counted against a fully satisfactory outcome.
Clause VII. (4.8) Cooperation between the various agencies was also fairly well coordinated by KGM, given that there had been little precedent for this kind of collaboration before.

(412) KGM also deserves credit for its role in coordinating a number of different government departments as well as university staff, unused to working together as a team. It took the lead in the task force for road safety and supported the other executing agencies in the areas of procurement and financial management.

(4.23) KGM did well to coordinate satisfactorily with other government departments and agencies, and with academia. The performance of these partners varied, but was satisfactory on the whole.

Clause VIII. (4.16) Bank performance is rated satisfactory, but with some reservations. There is no doubt that both the Bank and Borrower contributed to the delays at important decision points during implementation. The Bank could have moved with more urgency on some occasions to speed up its responses to the "no objection" requests. This matter was also raised by the Under-secretariat of the Treasury, and the Bank has in the meantime taken steps to streamline its procurement activities.

**SOME PARAGRAPHS FROM THE VIEWS OF THE BORROWER EXPRESSED IN ICR**

GENERAL EVALUATION OF THE RISP BY
THE COORDINATOR IMPLEMENTING AGENCY
(ROAD IMPROVEMENT AND SAFETY PROJECT)

I- DATA NECESSARY FOR THE BANK TO EVALUATE THE PERFORMANCE OF THE BANK BY ITSELF.

The latest situation of the Project is as follows:

DATED JANUARY 21, 2003

PURSUANT TO YOUR LETTER DATED NOVEMBER 18, 2002, REQUESTING THE BANK TO EXTEND THE CLOSING DATE OF THE LOAN, I REGRET TO INFORM YOU THAT THE BANK IS NOT IN A POSITION TO AGREE TO SUCH AN EXTENSION. WHILE WE RECOGNIZE THE SOLID CONTRIBUTION THAT THE LOAN FINANCED ACTIVITIES UNDER THE PROJECT HAVE MADE TO TRAFFIC SAFETY AND OTHER SECTOR OBJECTIVES, WE FEEL THAT THE INCREMENTAL GAINS THAT MIGHT BE MADE DURING A FURTHER IMPLEMENTATION PERIOD ARE NOT GREAT ENOUGH TO JUSTIFY AN EXTENSION...

6- As, everybody will accept. signing and approving the mentioned related contracts implies that implementing agency and/or the World Bank committed against Contractors that the expenditure amounts of these contracts, would be paid. CWA-II. CWA-III. MS-05, 01-812-1c Code Numbered contracts, couldn't be finished or didn't reach to the expenditure levels which were agreed before with the Bank at the closing date of the Loan.

10- 4 IMPLEMENTING AGENCIES SINCERELY BELIEVED THAT THE GAINS (as (1) Very important ongoing contracts would not be stopped, they would be completed. (2) Commitments of the Bank and the implementing agencies given to the contractors, would be realized (3) There would be no legal problem due to uncompleted contracts, since the works in all of these contracts were necessary and described works according to the Loan Agreement, (4) The objectives of the Loan Agreement would have been reached completely) THAT WOULD BE REALIZED DURING EXTENDED PERIOD, WOULD BE GREAT ENOUGH TO JUSTIFY AN EXTENSION, ON THE CONTRARY WHAT WAS SAID BY THE COUNTRY DIRECTOR, IN HIS LETTER OF 21ST JAN., 2003.
19- After completion of the Bank’s reorganization, receipt of the Bank’s no objection became very difficult and took incredible long durations as;

a) due to reduction in the number of experienced Bank’s staff and
b) due to very high increase in the number of projects, loans, and countries to be taken care by the same Bank’s staff. (according to what the Bank’s related Program Team staff say)

20- As an example;

Bank’s no objection for feasibility studies of Black Spot works (though their solutions, estimated costs, environmental reports, feasibility studies and other tables have been prepared and checked by the KGM and the Consultant firm) could be obtained after numerous correspondence by the Bank and after 64 days and 109 days passed.

In the same way, the Bank’s no objection for the Traffic Police Training Program (proposed with the letter of General Directorate of Security dated 19.12.2001) could be obtained with the fax of 21 October 2002 after 10 months passed (302 days).

Similar delays occurred in the receipt of the Bank’s no objection, for the works of the Ministry of National Education and Gazi University.

(Though the tenders were received, the bid was to be cancelled by the Ministry of National Education when it was understood that the Bank would not extend the Loan closing date.)

8- This contract of CS-5, Highway Information System (Including Traffic Safety Common Data Bank) It was hoped by KGM that due to the special importance given to this component of the Loan by the Bank, the Bank could permit KGM to continue with this contract even the Bank doesn’t permit the continuation of all other ongoing contracts.

Bid documents have been prepared with the contribution of the Bank’s consultants and Federal Highway Administration’s consultants after a long common study. Announcement pertaining to HIS was published also in UN Development Business on 30.06.2001.

Though Prequalifications have been realized and the Short List has been prepared and many tenderers hired consultants from abroad and strengthened their firms to give their tenders; and the Bank has given its no objection on June 19, 2002, the process was stopped upon Bank’s not extending the closing date of the Loan.

In order to have a rough idea about how the World Bank managed this Loan (from the beginning of the Loan upto the end) one can consider the duration past between the dates of our Treasury’s application which is November 18. 2002 to the Bank (for extension of closing date of the loan to 31.12.2003) and the Bank’s reply date which is 21.Jan.2003.
VISION OF PROJECT COORDINATION CENTER ON DRAFT PROJECT PERFORMANCE EVALUATION REPORT

The budget of General Directorate of Highways was very high, but the activities of the project were all related with the Highways they should have been delivered between the related units. Activities which were related with the Ministry of Education needed to be mentioned.

- 700 teachers were trained in teacher training programmes.
- 40 thousand truck drivers who took their driving-license before 1996 were trained in the seminars.
- "Teacher guideline on Traffic" was published and delivered for the sake of the students from pre-school to the end of the high school education, to make the education materials richer by supporting the current education programmes.
- Education materials such as, computer, printer, scanner, television, video, overhead-projector were sent to 362 schools.

TASLAK PROJE PERFORMANSI DEĞERLENDİRME RAPORUNA İLİŞKİN PROJELER KOORDİNASYON MERKEZİ BAŞKANLIĞI GÖRÜŞLERİ

Her ne kadar projede Karayolları Genel Müdürlüğü'nün bütçesi fazla olsa da, söz konusu raporda daha ziyade karayolları ile ilgili faaliyetlere vurgu yapılmıştır. Bunun yanı sıra trafikte önemli bir unsur olan eğitim, ilk yardım ve denetim hususlarının vurgu yapılması gerektiğini düşünülmüştür.

- Öğretmen eğitimi konusunda 700 öğretmen eğitim verilmiştir.
- 1996 yılı öncesi ehliyet alımı 40 bine yakın şoför seminerler yoluyla eğitilmiştir.
- Trafik eğitiminde okul öncesi eğitimden lise sonuna kadar öğretmenlere yardımcı bir kaynakla rehberlik etmek, öğretmen etkinliklerini zenginleştirmek amacıyla mevcut öğretim programlarını da destekleyen, trafik riski onurunu ön plana çıkarak "Trafik Güvenliği Eğitimi Öğretmen Kullanımı Kilavuzu" adlı eğitim materyali hazırlanmış ve okullara dağıtılmıştır.
- 362 proje okuluna bilgisayar, yazıcı, tarayıcı, televizyon, video ve tepe gözden oluşan ekipman donatımı sağlanmıştır.