

Montenegro: Rehabilitation of the Road Podgorica-Kula

Final inspection and ex-post evaluation

OECD sector	21020 / Roads and road traffic	
BMZ project ID	2000 40 550 (Phase 1) 2002 40 507 (Phase 2)	
Project-executing agency (Phases 1 and 2)	Ministry of Maritime Affairs and Transportation	
Consultant (Phases 1 and 2)	Roughton International UK	
Year of evaluation	2006	
	Project appraisal (planned)	Ex post evaluation (actual)
Start of implementation (Phase 1)	2nd quarter 2001	2nd quarter 2001
(Phase 2)	3rd quarter 2002	3rd quarter 2002
Period of implementation (Phase 1)	19 months	39 months
(Phase 2)	12 months	34 months
Investment costs (Phase 1)	EUR 5.11 million	EUR 4.90 million*
(Phase 2)	EUR 2.34 million	EUR 2.43 million*
Counterpart contribution (Phase 1)	EUR 0.00 million	EUR 0.00 million**
(Phase 2)	EUR 0.34 million	EUR 0.22 million**
Financing, of which Financial Cooperation (FC) funds (in EUR)**	EUR 5.11 million EUR 2.0 million	EUR 5.11 million EUR 2.0 million
(Phase 2)		
Other institutions/donors involved	-	-
Performance rating (Phases 1+2)	2	
• Significance / relevance (Phases 1 and 2)	2	
• Effectiveness (Phases 1 and 2)	2	
• Efficiency (Phase 1 and 2)	2	

- *Of which amounts already disbursed: EUR 4.83 million (Phase 1) and EUR 1.8 million (Phase 2)
- **Also using funds remaining from Phase 1 in Phase 2

Brief description, overall objectives and project objectives with indicators

The aim of the project was to eliminate four major bottlenecks on the Podgorica-Kula project road. The programme as a whole serves to finance the Montenegrin part of the rehabilitation of the cross-border road connection between Podgorica and Peja in Kosovo, which is financed by the German government in the context of the stability pact as a "quick start" project (grant).

The programme objective of both phases was to ensure reliable transport conditions on the approx. 198 km road section from Podgorica to Kula (on the border to Kosovo).

The indicators to measure the achievement of the project objectives (at least compared with the situation prevailing at the time of the project appraisal) were a constant average volume of traffic (estimate at project appraisal: 3,000 – 4,000 motor vehicles per day) and the year-round passability of the project road at the time of the final evaluation.

The overall objective of both projects was to contribute to the economic stabilisation of Montenegro and the region and to ensuring the supply of Kosovo. An indicators for the achievement of the overall objective was not defined at the time of project appraisal.

The direct target group of the project were the transport companies and motor vehicle operators. The indirect target group comprises the population in Montenegro and Kosovo, who benefit from the transport services.

Project design / major deviations from the original programme planning and their main causes

The available FC funds were used as planned to eliminate major bottlenecks (EUR 7.11 million) on the project road. In the context of a prioritisation process the consultant evaluated the road sections proposed for rehabilitation and drew up a priority list. The first three measures from this list were financed under phase I (measure to secure a rock face, reinforcement of the pavement and placement of a new surface pavement on a 18 km road section, safety precautions on a 1.1 km tunnel) and the fourth measure (broadening and construction of a climbing lane on a length of 4.5. km) was financed under phase II. Massive construction delays (instead of the originally planned construction time of two years the works took almost four years) occurred in two construction stages, the contracts for which had been awarded upon international competitive bidding to Crnagoraput (Montenegro Road Company - MRC). MRC is a large former state company, which faces substantial financial and management problems. MRC has good contacts with the political leadership of Montenegro and has a regional quasi-monopoly. MRC conducts road maintenance throughout Montenegro. The construction delays that occurred are due to the fact that MRC did not provide sufficient personnel and equipment to ensure the proper implementation of the works on the project road.

Key results of the impact analysis and performance rating

Measured by the traffic volume (actual: up to 4,800 vehicles per day) the programme objective was exceeded. The FC funds provided (though the amount was comparatively small) made it possible to intervene in priority places in order to clearly reduce the risk of long-term traffic disruptions; thus, in connection with the measures financed by the European Investment Bank (EIB) on the remaining risk sections the risk of disruption could largely be eliminated. At the time of the project appraisal it was of major importance to uphold the road connection both for Montenegro and for ensuring the supply of Kosovo (relevance). Traffic on the last section to the border with Kosovo increased in particular due to a rise in passenger transport by 30%. Freight transport declined (by around 20%) because it is cheaper to supply Kosovo via alternative roads (from Macedonia). These developments are mainly the result of the easing of political tensions in the region. The programme road is particularly significant for Montenegro. The road is a major east-west connection. Thus, if the project had not been implemented and the condition of the road had deteriorated (and would possibly have been impassable due to rockfall) this would have caused a considerable transport bottleneck with the ensuing negative impact on the economic development of Montenegro. The current state of maintenance of the project road is satisfactory. The maintenance expenses of approximately EUR 7,200 per km spent on this strategically important road are about twice as high as those spent on average on other roads in the country. The remaining sustainability risks are estimated to be acceptable.

We rate the developmental effectiveness of the project as follows:

- Measured by the traffic volume, the programme objective was exceeded. With comparatively low FC funds it was possible to intervene in priority places on the programme road in order to eliminate bottlenecks and, thus, clearly reduce the risk of long-term traffic disruptions. In connection with the measures financed by the European Investment Bank (EIB) the risk of

disruption could largely be eliminated. The current state of maintenance of the project road is satisfactory. A limited sustainability risk remains due to uncertainties about whether sufficient maintenance budgets can be provided and whether MRC will be able to implement the maintenance works efficiently (**effectiveness: sub-rating 2**).

- The assumption that it was of major importance to uphold the road connection both for Montenegro and for ensuring the supply of Kosovo is plausible (relevance). As regards traffic volumes it can be stated that passenger transport in the last section to the border with Kosovo increased substantially (by 30%) while freight transport decreased (by approx. 20%) due to the fact that it is cheaper to supply Kosovo via alternative road connections. However, the road is still one of the main transport connections in Montenegro. The road is the only east-west connection. Thus, if the project had not been implemented (and the road would possibly have been impassable due to rockfall) this would have caused a considerable transport bottleneck with the ensuing negative impact on the economic development of Montenegro (**relevance/significance: sub-rating 2**).
- Bidding prices were slightly below the level estimated at the time of project appraisal. The production efficiency was generally satisfactory. Measured by the high macro-economic rate of return, we judge the project's **allocation efficiency** as satisfactory (**efficiency: sub-rating 2**).

On the basis of the sub-criteria mentioned above, we rate the developmental effectiveness of the project as satisfactory overall (**rating 2**).

As regards the environmental situation, the construction works inevitably had negative impacts during the implementation of the programme (operation of quarries and mixing plants, earthworks and asphalt works). However, no further negative impacts are expected during the operation. Moreover, the increase in the traffic volume is compensated for by positive impacts in terms of a better passability of the road (which means a reduction in driving and transport times). As poorer sections of the population also benefit from the transport connections (bus) the programme has a limited indirect poverty relevance. The project did not have any specific potential and did not show any specific impacts in terms of improving gender equality. The project did not pursue the goal of improving the participatory development or governance.

General conclusions and recommendations

Despite pronounced competition during bidding processes it is possible for former state companies, which have a regional quasi-monopoly in the implementation of a project and have good political connections, to obtain further contracts even if they have serious financial and management problems. In view of this fact it is all the more important that the bidding process is actively supported by international donors in order to incite these enterprises to open up to the market.

Legend

Developmentally successful: Ratings 1 to 3	
Rating 1	Very high or high degree of developmental effectiveness
Rating 2	Satisfactory developmental effectiveness
Rating 3	Overall sufficient degree of developmental effectiveness
Developmental failures: Ratings 4 to 6	
Rating 4	Overall slightly insufficient degree of developmental effectiveness
Rating 5	Clearly insufficient degree of developmental effectiveness
Rating 6	The project is a total failure

Criteria for the Evaluation of Project Success

The evaluation of the "developmental effectiveness" of a project and its classification during the ex-post evaluation into one of the various levels of success described in more detail below concentrate on the following fundamental questions:

- Are the **project objectives** reached to a sufficient degree (aspect of project **effectiveness**)?
- Does the project generate sufficient **significant developmental effects** (project **relevance** and **significance** measured by the achievement of the overall development-policy objective defined beforehand and its effects in political, institutional, socio-economic and socio-cultural as well as ecological terms)?
- Are the **funds/expenses** that were and are being employed/incurred to reach the objectives **appropriate** and how can the project's microeconomic and macroeconomic impact be measured (aspect of **efficiency** of the project conception)?
- To the extent that undesired (**side**) **effects** occur, are these tolerable?

We do not treat **sustainability**, a key aspect to consider for project evaluation, as a separate category of evaluation but instead as a cross-cutting element of all four fundamental questions on project success. A project is sustainable if the project-executing agency and/or the target group are able to continue to use the project facilities that have been built for a period of time that is, overall, adequate in economic terms, or to carry on with the project activities on their own and generate positive results after the financial, organisational and/or technical support has come to an end.