PROJECT INFORMATION DOCUMENT (PID)
APPRAISAL STAGE

Report No.: PIDA767

Project Name	National Urban Transport Improvement Project (P133201)
Region	EUROPE AND CENTRAL ASIA
Country	Russian Federation
GEF Focal Area	Climate change
Sector(s)	Public administration- Transportation (25%), General information and communications sector (10%), Urban Transport (65%)
Theme(s)	City-wide Infrastructure and Service Delivery (60%), Municipal governance and institution building (40%)
Lending Instrument	Specific Investment Loan
Project ID	P133201
Borrower(s)	Ministry of Finance
Implementing Agency	Ministry of Transport
Environmental Category	B-Partial Assessment
Date PID Prepared/Updated	20-May-2014
Date PID Approved/Disclosed	20-May-2014
Estimated Date of Appraisal Completion	06-Jun-2014
Estimated Date of Board Approval	29-Sep-2014
Decision	

I. Project Context

Country Context

The Russian economy faces increasing challenges in sustaining its growth due to the slowing of consumption and investment, as well as structural constraints. Consumption expanded at a much slower pace than a year ago, attributed to the higher burden of interest payments for households and high inflation in the first half of 2013. Investment activities dropped sharply as a result of the completion of large infrastructure projects such as for the Winter Olympic Games in Sochi and the Northern Stream pipeline. External environment remained weak: oil prices stabilized below US $100/barrel, putting increased fiscal pressures to the federal budget. On the other hand, several evidences suggest that the recent growth model has reached its limits and structural challenges are becoming binding constraints for growth. Despite the slowdown, capacity utilization remain near the upper limit (near 80 percent in 2013) indicating that the economy is close to its current growth potential. Weaker growth potential is also reflected in the sector composition of growth. In the past years, strong growth in non-tradable sectors such as construction, financial services, transport and communication compensated for the gradually deteriorating industrial performance and the manufacturing of tradable goods, but it does not so anymore.

After the impressive progress over the last two decades, advancement in shared prosperity has slowed down. Macroeconomic stability and sustained job creation during 2002–2012 have led to reduction of moderate poverty from 37.7 percent to 11 percent. While more pronounced in rural areas, poverty in urban centers has also fallen sharply, from 33.1 percent in 2002 to 7 percent in 2012. Similarly, with a 9.6 percent income expansion of the bottom 40 percent against 7.9 percent of the top 60 percent between 2005 and 2010, Russia has consistently outperformed neighboring countries in advancing shared prosperity. More recently, however, the poverty rate remained flat at 11-11.5 percent due to the income and expenditure dynamics that are disproportionately unfavorable to the bottom 40 percent. While income sources other than wages, such as pensions, dividends and entrepreneurial income, stagnated or decelerated, recent household credit expansion increased total household indebtedness to 25 percent of total disposable income in 2013, from 19 percent in 2012, leading to increased interest payments now reached at 5 percent. Combined effects of all above are more strongly felt by lower income households.

Sectoral and institutional Context

Urban transport is a matter of growing concern in many cities of Russia. Traffic congestion has consistently worsened, making the commute longer and business costly. The congestion is symptomatic of the rapid increase of car ownership and use, lack of maintenance of the legacy public transport system, which has lost and is losing its competitiveness over private cars, and inefficient traffic management. Following institutional and technical factors are attributed to the deterioration of public transport:

(a) Lack of a coherent legal basis: In Russian laws, responsibilities for urban transport management are split among various authorities. Land-use planning is poorly integrated with transport planning. Coherent metropolitan-scale planning that transcends the boundaries is legally difficult.

(b) Challenges in financing urban transport systems: Allocation of financial resources is often inadequate, unpredictable and not strategically planned. As a result, transport infrastructure and vehicles are not adequately maintained or renewed. Investments in innovative technologies for efficient and safe traffic management have been limited.

(c) Weak physical and operational integration of public transport services: Metro systems are often run not in coordination with other modes. Artificial segregation of bus services prevails in most cities. Often on competing routes, private operators provide commercial services under term contracts, without offering concessionary fares and with little coordination with the social services, increasing overall cost of transport and undermining user convenience.

(d) Automobile oriented policies and investments: Most municipalities respond to growing congestion problems by expanding the road network capacity, which quickly gets congested. The concept of transportation demand management has not been fully embraced by Russian laws and policy-makers.

These trends in Russian cities would disproportionately affect low-income population in Russian cities, who continue relying greatly on public transport systems. While private car ownership has grown considerably in the last decade even among the lower and middle classes, car use is still

selective and hence public and non-motorized transport continue to be the main travel modes among the bottom 40 percent in the income scale. Findings from the Poverty and Social Impact Analysis (PSIA) showed that low and middle income dwellers in St. Petersburg, Lipetsk, and Balashikha make between 6 to 9 wo rk trips each week in public transport and their travel times can vary from 40 minutes per trip in Lipetsk (compact urban form) to as long as 103 minutes in Balashikha (involving commuting to Moscow). Similarly, while public transport in Russian cities is subsidized, transport expenses for the lowest income quintile range may still be as high as 15-20 percent for the lowest-income segments, evidencing the high financial burden of public transport. In the absence of comprehensive investments to prevent system deterioration on one hand, and improve commuting times, fare integration, inter-modality, and city-wide connectivity on the other, the least disadvantaged groups in Russian cities will find it increasingly difficult to access jobs and services at high costs to their overall welfare.

In order to reverse these trends, coordinated efforts are needed between the Federal Ministry of Transport, the national policy-maker, and regions and municipalities. The project will support city-specific interventions that will be sustained and scaled up by regulatory and institutional reforms implemented at the federal level.

II. Project Development Objective(s) / Global Environmental Objective(s)

A. Project Development Objective(s)

The project aims to improve urban mobility, accessibility, safety and environmental sustainability of transport systems in selected cities of the Russian Federation.

B. Global Environmental Objective(s)

The project aims to reduce greenhouse gas emissions in transport sector of the Russian Federation.

III. Project Description

Component Name

1. Improvement of the National Policy for Sustainable Development of Urban Transport Systems

Comments (optional)

This component will support the following:
1.1. Improvement of the federal-level legal and regulatory framework. This will include high-priority legislative reforms and revision of design standards for urban infrastructure and vehicles.
1.2. Creation of a federal center for development of urban transport systems. The center will function as the creator, synthesizer and distributor of knowledge about sustainable development of urban transport systems among Russian municipalities.
1.3. Establishment of the concept of a federal targeted program for sustainable urban transport systems. The program will provide financial and technical assistance to cities in improving their transport systems.

Component Name

2. Sustainable Urban Transport Pilot Program in Three Russian Cities

Comments (optional)

This component will support pilot programs in 3 cities, selected based on their size, preparedness, commitment to project goals and demonstration effect:
2.1. Improvement of urban transport system(UTS) in St. Petersburg: to reduce traffic congestion and air pollution in the city center through on-street paid parking, traffic management(TM) and public transport (PT) improvement.

2.2. Improvement of UTS in Lipetsk: to improve the quality of PT services and road safety by developing a corridor along which PT priorities measures will be implemented, and by upgrading PT infrastructure and vehicles.
2.3. Improvement of UTS in Balashikha: to provide reliable mobility options, reduce traffic fatalities, and improve the condition for NMT through PT reforms, TM, and modernization of infrastructure.

Component Name
3. Development of Institutional and Technical Capacity in Municipalities for Urban Transport System Planning and Management
Comments (optional)
This component finances technical assistance to multiple cities, which will be competitively selected. The selected cities will receive technical assistance for analytical work or project preparation activities in support of environmentally and socially sustainable urban transport systems.

Component Name
4. Project Management
Comments (optional)
This component will finance activities to be carried out by the Project Implementation Unit during implementation, as well as project preparation activities if a subsequent IBRD-financed project is proposed to be implemented by the Ministry of Transport.

IV. Financing *(in USD Million)*

Total Project Cost:	272.13	Total Bank Financing:	117.50
Financing Gap:	0.00		

For Loans/Credits/Others	**Amount**
Borrower	117.50
International Bank for Reconstruction and Development	117.50
Global Environment Facility (GEF)	9.13
Local Govts. (Prov., District, City) of Borrowing Country	28.00
Total	272.13

V. Implementation

The Federal Ministry of Transport is the Implementing Agency (IA) and on behalf of the IA, the Project Implementation Unit will perform implementation activities as stipulated in the tripartite Agency Agreement to be signed by the IA, Ministry of Finance and the PIU. Project implementation activities will be overseen by the Interagency Project Implementation Board (IAPIB), which will be organized by IA and include representatives from the Ministries of Finance and Economic Development, and PIU. IAPIB will interact with the four Working Groups to be established separately for project components to authorize and supervise their activities. The implementation arrangement and relations between involved entities are depicted in Figure 2 (Annex 3); the roles and responsibilities of each participant are detailed in Annex 3.

The PIU is responsible for procurement, financial management, monitoring of compliance of safeguards policies by the pilot cities, contract management, progress monitoring and reporting, and any other due diligence and administrative tasks, as to be stipulated in the Agency Agreement. The

Bureau of Economic Analysis (BEA), which is expected to be selected as PIU, has adequate experience and good track records in implementing recent Bank-financed projects (see Appraisal Summary and Annex 3 for more details on the capacity assessment). Engagement of qualified technical specialists by the PIU, such as urban transport planners and transport/traffic engineers, will be required by the Agency Agreement. At the beginning of each year during implementation, the operating cost for the PIU will be approved by the IAPIB.

Three tripartite Project Implementation Agreements (PIAs) will be signed, each by IA, PIU and the city government or administration, respectively for each of the three pilot cities. The PIAs will define the roles and responsibilities of all parties, and particularly, the obligations of the pilot cities to allocate their respective budget funding in accordance with the project implementation/ procurement plans, delay/absence of which would result in suspension of the procurement of contracts financed by the Borrower co-financing, IBRD loan and GEF grant.

VI. Safeguard Policies (including public consultation)

Safeguard Policies Triggered by the Project	Yes	No
Environmental Assessment OP/BP 4.01	×	
Natural Habitats OP/BP 4.04		×
Forests OP/BP 4.36		×
Pest Management OP 4.09		×
Physical Cultural Resources OP/BP 4.11		
Indigenous Peoples OP/BP 4.10		×
Involuntary Resettlement OP/BP 4.12	×	
Safety of Dams OP/BP 4.37		×
Projects on International Waterways OP/BP 7.50		×
Projects in Disputed Areas OP/BP 7.60		×

Comments (optional)

VII. Contact point

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