

PROJECT INFORMATION DOCUMENT (PID) CONCEPT STAGE

Report No.: PIDC590

Project Name	National Urban Transport Improvement Project (P133201)
Region	EUROPE AND CENTRAL ASIA
Country	Russian Federation
Sector(s)	Public administration- Transportation (25%), General information and communications sector (10%), Urban Transport (65%)
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	15-Nov-2012
Estimated Date of Appraisal Completion	30-Aug-2013
Estimated Date of Board Approval	02-Dec-2013
Concept Review Decision	Track II - The review did authorize the preparation to continue

I. Introduction and Context

Country Context

The Russian economy expanded beyond pre-crisis peaks in the first half of 2012, supported by strong consumption. The real GDP is expected to increase by 3.8 percent in 2012 and might exceed US\$ 2 trillion, making the country the sixth biggest economy today. The current account enjoys a large surplus in the trade balance, and Russia's public debt was no more than 10 percent of GDP. A fair share of the recent accomplishments in growth and stable macro indicators is attributed to high oil prices, which have translated into strong export receipts, buoyant fiscal revenues, and a very fast credit expansion.

Nevertheless, Russia's economy has a number of weaknesses. Post-crisis economic growth, estimated at around 4 percent, is much slower than the before-crisis-rate at 7 percent. The economy took twice as longer to recover from the global financial crisis as it did from the Asian crisis ten years ago, which caused similar level of initial output contraction. Inflation is picking up, caused by increases in utility and gasoline prices, tightening in labor market and disappointingly low grain harvest. Russia's fiscal position remains strong, but its reliance on high oil prices has never been more pronounced. The oil price needed for the federal budget to break even keeps increasing from under US\$ 30 in 2007, to US\$ 100 in 2009, and to estimated US\$ 110 in 2012.

Sectoral and Institutional Context

Urban transport is a matter of growing concern in Russian cities. Traffic congestion raises the costs of business, incurs substantial time costs and lowers productivity. Congestion is a symptom of several problems: rapid increase of car ownership and use, poorly maintained road systems, inefficient traffic management, and lack of public transport systems with good quality and coverage. Under these circumstances, in Russia, social sustainability is threatened by the deteriorating mobility options for the poor and a road safety record that is among the very worst for industrialized nations. Environmental sustainability is compromised by air pollution from the increasing private vehicle fleet, and the old and outdated public transport vehicles. Underlying all is a failure in financial sustainability caused by the inadequacy of resources that cities have to provide necessary services. areas—is still a new concept that has not been fully embraced either by Russia laws or policy-makers. For instance, current planning norms for parking in new development implicitly accept the objective of unconstrained use of the private car.

Relationship to CAS

The proposed project aligns with the focal areas of the World Bank Country Partnership Strategy for Russia for the period of 2012-16. Particularly, the proposed project falls under one of the three Strategic Themes, "Increasing Growth and Diversification", and one of the area of engagement, "Sustainable Development and Effective Protection of the Environment". The proposed project is expected to contribute to better management of infrastructure assets, expansion of quality services with private sector participation, a decrease in energy intensity of the economy, and climate change mitigation.

II. Proposed Development Objective(s)

Proposed Development Objective(s) (From PCN)

The proposed project aims (i) to improve the quality and condition of urban transport while reducing adverse environmental impacts of transport in three pilot cities, through physical investments and operational and technological improvements, and (ii) to strengthen the institutional and technical capacity in several Russian cities in planning and managing urban transport systems.

Key Results (From PCN)

The proposed project would support the Borrower in (i) creating a national framework that enables urban transport improvement in Russian cities; (ii) implementing high priority pilot projects in three selected cities to improve mobility, road safety and air quality, and (iii) assisting cities to strengthen their institutional and technical capacity in urban transport.

At the end of the proposed project, the following results would be achieved:

- A Federal Urban Transport Center (name to be determined) under the Ministry of Transport is created and functioning, performing as a national database and knowledge center, and research and education institute;
- Critical amendments and new enactments of federal laws concerning traffic management and public transport are proposed for approval by the Duma (State Assembly);
- Urban transport improvement projects in three pilot cities are prepared and implemented, in any of the following functional areas: public transport, traffic management, traffic safety, parking, and non-motorized transport.
- Comprehensive urban transport strategies and investment programs are prepared in several pilot cities with satisfactory quality (broader pool than the cities where investment projects will be

implemented);

- Reduced air pollution and greenhouse gas emissions from traffic in pilot cities; and
- Lessons are drawn from the pilot projects and successful examples are ready to be scaled up in other cities

III. Preliminary Description

Concept Description

Component 1: Development of a National Framework for Improvement of Urban Transport Systems (estimated \$5 million IBRD Loan, \$5 million Borrower funds and \$1.1 million GEF Grant). This component will support development of a national framework for urban transport, which would provide an enabling environment for municipalities to improve the condition and quality of their urban transport systems and to develop the institutional and technical capacity. To that end, this component would support the following activities: (i) Refinement and adoption of a national strategy for urban transport improvements; (ii) Introduction of high-priority legal reforms; (iii) Creation of a Federal Urban Transport Center; (iv) Development and delivery of an urban transport learning program for policy-makers and practitioners in all Russian cities by the Federal Urban Transport Center; and (v) Development and dissemination of toolkits by the Federal Urban Transport Center.

Component 2: Pilot Program for Urban Transport Improvements (estimated \$100 million IBRD loan, \$100 million Borrower funds and \$5.5 million GEF Grant). This component will support urban transport pilot projects in three cities, with co-financing by participating cities (the amount to be determined). Candidate areas for pilot projects would include (i) improvement of traffic management systems, potentially including advanced technologies of intelligent transportation systems (ITS), (ii) improvement of public transport infrastructure, vehicles and services, (iii) development and implementation of a city-wide parking plan, (iv) improvement of road traffic safety and non-motorized transport, and (v) implementation of various TDM measures. Pilot projects will be selected by municipal administrations, based on their long-term transport strategy and investment programs. At the same time, the Bank and the Ministry of Transport will ensure that the selected projects align with the overarching policy objective—creation of environmentally, socially and financially sustainable urban transport systems—and comply with the eligibility criteria, which will be developed and agreed upon both by the Bank and the Ministry of Transport.

Component 3: Capacity-Building for Municipalities in Planning and Management of Urban Transport Systems (estimated \$10 million IBRD loan, \$10 million Borrower funds and \$2 million GEF grant). Under this component technical assistance will be provided to cities including those that are not selected under Component 2. Selected cities would receive advisory and technical assistance in one priority area, candidates of which include development of comprehensive transport strategies, establishment or strengthening of key administrative units in the city administration (e.g., city transport department, traffic management center, and public transport authority), development of technical plans concerning specific sub-sectors of urban transport such as road safety, parking and ITS, and installation of traffic management software and staff training. Cities would be invited to participate in an open competition for the money, under two windows: small cities (population under 300,000) and medium-to-large cities (population 300,000 or more). Participating cities may be required to provide co-financing as necessary.

Component 4: Project management (estimated \$4 million IBRD loan, \$4 million Borrower funds

and \$490,000 GEF Grant). This component will finance project management activities that would be performed by a Project Implementation Unit (PIU) to be engaged by the implementing agency—Ministry of Transport.

IV. Safeguard Policies that might apply

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

V. Tentative financing

Financing Source	Amount
Borrower	119.00
International Bank for Reconstruction and Develo	119.00
Global Environment Facility - IBRD as Implemen	9.00
Local Govts. (Prov., District, City) of Borrowing	26.00
Total	273.00

VI. Contact point

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