

MANAGEMENT RESPONSE TO THE PROJECT PERFORMANCE EVALUATION REPORT FOR THE ROAD REHABILITATION PROJECT IN KAZAKHSTAN (Loan 1455-KAZ)

On 9 February 2006, the Director General, Operations Evaluation Department, received the following response from the Managing Director General on behalf of Management:

1. Management finds OED's Project Performance Evaluation Report (PPER) well prepared, with comprehensive analysis of the project and its implementation. The lessons learned provide valuable guidance for designing future loan and TA projects in Kazakhstan and elsewhere in the Central Asian Republics. Management response focuses on the overall assessment and the lessons learned.

A. Overall Assessment

2. The PPER rates the project as *successful* but highlights that it is at the lower limit of the range of performances that could be considered successful. This is an upgrade relative to the Project Completion Report (PCR), which was prepared in 2004 and rated the project *partly successful*. Management notes that this is mainly due to the upgrade of the project sustainability rating as a result of the recent improvement in the Government's fiscal position and a sharp increase in the annual road maintenance budgets in recent years.

B. Issues, Lessons, and Follow-Up Actions

3. Management agrees with the issues, lessons, and follow-up actions identified in the PPER. We note with appreciation that the PPER highlights two major lessons that we can draw from this project in designing future projects: (i) a comprehensive institutional and policy reform agenda needs to be intensively discussed and national ownership should be secured, and its implementation should be well supported by ADB; (ii) introduction or changing to international design and construction standards, maintenance standards, and contracting methods such as FIDIC conditions of contract, would require extended timeframe and rigorous consideration both from the technical point of view (adapting them to the local climatic and business environments with perhaps higher quality standards) as well as institutional (i.e. ownership and support from the concerned government agencies). However, one has to bear in mind that this was ADB's first loan to the transport sector in the Republic of Kazakhstan where former Soviet Union standards and business practices were in use for which contractors from outside the region had limited knowledge. To ensure sufficient competition and introduction of good practices, it is essential to adopt international standards and good practices. Given the fast deteriorating conditions of economy and infrastructure, rapid mobilization of ADB resources were critical for the country's recovery and rehabilitation of critical roads is considered essential and cost effective. In hindsight, closer monitoring and supervision should have been provided during project implementation.

4. While we note that follow-up actions include road safety to be monitored by the Ministry of Transportation and Communications and the Traffic Police, we suggest adding to the lessons identified in the PPER the road safety audit to be mandatory in all road projects and road safety impacts of the project measured. With the growing concern over the road safety issues and increasing social cost of the road accidents, we consider the inclusion of a road safety component in a transport project is important to enhance the development effectiveness of ADB's assistance to its developing member countries.