



Work in Progress: Not for Quotation

Subject: **Joint ADB/EBRD Evaluation of Loans 1774-KAZ and 1775-KGZ:
Almaty-Bishkek Regional Road Rehabilitation Project
—Evaluation Approach Paper**

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A. Background

1. The transport sector contributes substantially toward regional integration among the Central Asian republics (CARs). The existing transport infrastructure in the CARs was developed as a regional network to serve the former Soviet Union's (FSU) needs, without taking into consideration the administrative boundaries of the CARs. This created difficulties after independence, as the CARs found themselves with fragmented transport networks that frequently cross and recross the borders of neighboring countries. Part of the difficulties of the CARs in competing in the global markets could be attributed to the bottlenecks in the transport infrastructure that constrain growth, and to inefficient administrative arrangements and regulations that govern freight and passenger transport. With both Kazakhstan and Kyrgyz Republic being landlocked countries, there is an increasing need for developing cross-border roads to contribute to economic development.

2. The Asian Development Bank (ADB) support for regional cooperation stems from its Charter, which mandates ADB to promote economic growth and cooperation in the Asia Pacific region by financing development of developing member countries (DMCs), "giving priority to those regional, subregional, as well as national projects and programs which will contribute most effectively to the harmonious growth of the region as a whole ..."¹ A Regional Cooperation Policy (RCP)² was adopted in 1994. The RCP espoused a phased approach to regional cooperation support. The first phase focused on raising DMC awareness of the importance and potential of regional cooperation. The second phase was concerned with providing assistance with identifying potential regional projects and programs, and the third phase involved the financing of cross-border projects and national projects with a regional dimension. The RCP also underscored ADB's catalytic role in promoting regional cooperation as a provider of information, an honest broker, and a financier of regional cooperation projects.

3. Succeeding ADB policy and strategy documents have acknowledged the importance of regional cooperation in addressing poverty reduction in the region. In 2001, the Long-Term Strategic Framework (LTSF) 2001–2015³ formally recognized regional cooperation as a core component in ADB's overarching agenda of poverty reduction by identifying it as a crosscutting theme to deepen and broaden the impact of its core strategic areas. Recognizing ADB's comparative advantage in this area, the LTSF called for increased support for subregional

¹ ADB. 1966. *Agreement Establishing the Asian Development Bank*. Manila. Chapter 1, Article I and Article II (ii).

² ADB. 1994. *Bank Support for Regional Cooperation*. Manila.

³ ADB. 2001. *Moving the Poverty Reduction Agenda Forward in Asia and the Pacific: The Long Term Strategic Framework of the Asian Development Bank (2001–2015)*. Manila.

cooperation and economic integration to reinforce ADB's development efforts at the national level. It also recommended the establishment of regional cooperation funding facilities to finance activities that extend beyond national borders. The recently approved LTSF 2020 has reinforced regional cooperation and integration by recognizing it as a core area of ADB operations.

4. ADB has provided assistance to support regional economic cooperation in the CARs since early 1997. ADB's initiatives in the CARs' transport sector included coordination of sector reforms through country-specific projects, development of road standards, and preparation of road safety guidelines.

B. The Project and its Expected Results

5. The Almaty-Bishkek Regional Road Rehabilitation Project (the Project) was initiated to develop an efficient and safe road transport link between Almaty and Bishkek and across the Kazakhstan/Kyrgyz Republic (Akzhol-Chu) border at Georgievka. Besides improving the 221-kilometer (km) long road,⁴ the Project included improved customs facilities at the Akzhol-Chu border point; new road maintenance equipment for Kazakhstan; and a cross-border agreement (CBA) and specific road safety initiatives ratified and implemented by Kazakhstan and the Kyrgyz Republic. The Project also included an advisory technical assistance (TA)⁵ to help implement the CBA and provide transport advisory support to Kazakhstan.

6. The total project cost was estimated at \$119.1 million. The Kazakhstan component was estimated to cost \$112.4 million equivalent (foreign exchange cost \$58.9 million; local currency cost \$53.5 million equivalent), and the Kyrgyz Republic component \$6.7 million equivalent (foreign exchange cost \$3.7 million; local currency cost \$3.0 million equivalent).

7. The Project was cofinanced by the European Bank for Reconstruction and Development (EBRD) and the European Commission's Transport Corridor Europe-Caucasus-Asia Program (TRACECA). The funding patterns for each country are provided in Tables 1 and 2.

Table 1: Kazakhstan Component Financing Plan (\$ million)

Cost	Appraisal Estimate	Actual
Implementation Costs		
Borrower Financed	22.0	44.1
ADB Financed	65.0	49.8
EBRD Financed	25.0	28.5
EU TRACECA Financed	0.4	0.4
Total	112.4	122.8
IDC Costs		
Borrower Financed	0.0	0.0
ADB Financed	12.1	0.5
EBRD Financed	3.5	3.5
Total	15.6	4.0

ADB = Asian Development Bank, EBRD = European Bank for Reconstruction and Development, EU TRACECA = European Union Transport Corridor Europe-Caucasus-Asia Program, IDC = interest during construction.

Source: ADB. 2007. *Project Completion Report. Kazakhstan and Kyrgyz Republic: Almaty-Bishkek Regional Road Rehabilitation Project*. Manila.

⁴ The length of the rehabilitated road in Kyrgyz Republic was reduced owing to increased works on the main road sections. As compared to the original target of rehabilitating 40.8 km, the project could complete only 19.2 km. As a result, the total length of the rehabilitation on the Almaty-Bishkek road was reduced from 245 km targeted at appraisal to 221 km as completed.

⁵ ADB. 2000. *Technical Assistance to the Republic of Kazakhstan and the Kyrgyz Republic for Road Sector Efficiency*. Manila (TA 3530-KAZ and TA 3531-KGZ, for \$750,000 and \$440,000, approved on 31 October).

Table 2: Kyrgyz Republic Component Financing Plan (\$ million)

Cost	Appraisal Estimate	Actual
Implementation Costs		
Borrower Financed	1.3	1.0
ADB Financed	5.0	4.6
EU TRACECA Financed	0.4	0.4
Total	6.7	6.0
IDC Costs		
Borrower Financed	0.0	0.0
ADB Financed	0.1	0.1
Total	0.1	0.1

ADB = Asian Development Bank, EU TRACECA = European Union Transport Corridor Europe-Caucasus-Asia Program, IDC = interest during construction.

Source: ADB. 2007. *Project Completion Report. Kazakhstan and Kyrgyz Republic: Almaty-Bishkek Regional Road Rehabilitation Project*. Manila.

C. Objective and Scope of the OED Review

8. Taking into consideration the cofinancing of the Project, the Operations Evaluation Department (OED) intends to carry out a joint evaluation of the Project with the EBRD. The joint evaluation (hereinafter referred to as the evaluation) with EBRD's Evaluation Department (EvD) will identify and guide the ADB strategy for regional cooperation projects in the Central Asia region. The evaluation will produce the following outputs:

- (i) **Jointly.** A joint performance evaluation report (JPER) Almaty-Bishkek Regional Road Rehabilitation Project (Kazakhstan and Kyrgyz Republic) using common evaluation guidelines;
- (ii) **By OED.** Project performance evaluation report (PPER) for Almaty-Bishkek Regional Road Rehabilitation Project (Kazakhstan and Kyrgyz Republic) (Loans 1774-KAZ and 1775-KGZ) as per OED's guidelines for evaluation,⁶
- (iii) **By EvD.** Operation performance evaluation review (OPER) report for EBRD's Kazakhstan – Road Sector Development Project (BDS00-126 and BDS00-126 Addendum 1) as per EvD's methodology and ratings; and
- (iv) **Jointly.** Brief report on the joint evaluation experience and the lessons learned from the joint study. This joint evaluation experience report (JEER) will be prepared after the completion of the above reports.

9. The evaluation reports (para. 8[i] to [iii]) will (i) assess the relevance, effectiveness, and efficiency in achieving its outputs and purposes, sustainability of the outcomes, and institutional development and other socioeconomic impacts of the Project; (ii) assess the performance of ADB and executing agency; and (iii) identify key issues and lessons for future ADB operations. These are broadly similar to ADB's and EBRD's project evaluation criteria and the Evaluation Cooperation Group's good practice standards. The individual reports mentioned in para. 8(ii) and (iii) are optional and will depend on internal organizational requirements of ADB and EBRD.

10. The JEER (para. 8[iv]) will analyze the experience of carrying out the joint evaluation study. It will highlight the synergies that were developed and the issues during implementation of the study. The contents of the JEER will be jointly presented by OED and EvD at the Evaluation Cooperation Group meeting.

⁶ The evaluation method will be based on ADB. 2006. *Guidelines for Preparing Performance Evaluation Reports for Public Sector Operations*. Manila.

D. Joint Evaluation Methodology

11. Appendix 1 provides an evaluation outline and detailed methodology for the evaluation prepared jointly between OED and EvD. It includes details relating to (i) fielding consultants to carry out the initial surveys, (ii) physically inspecting the project road sections, (iii) consulting with Government staff and other aid agencies in the road sector, and (iv) consulting with project affectees and beneficiaries.

12. **Data Collection.** The following ground-level studies will be carried out:

- (i) Traffic count and origin-destination surveys (traffic study),
- (ii) Socioeconomic impact assessment using focus group surveys (socioeconomic study), and
- (iii) Technical inspection of the completed road sections (technical study).

13. All the above studies will be carried out for the ADB, as well as EBRD components of the Project. In other words, the socioeconomic study will measure the impact of both the sections. Similarly, the technical study will cover the EBRD as well as ADB sections.

14. A preliminary evaluation mission (PEM) will be fielded in June 2008 to kick-off the field surveys and provide a background to the government officials about the contents of the evaluation study. The PEM will be led by an evaluation officer from ADB. Subsequently, a joint evaluation mission (JEM) will be fielded in September 2008 to interview project affectees and beneficiaries, road users, government officials, and development partners. Besides institutional assessment, the JEM will discuss the findings of the surveys. The JEM will be jointly led by an evaluation specialist from ADB and a senior evaluation manager from EBRD.

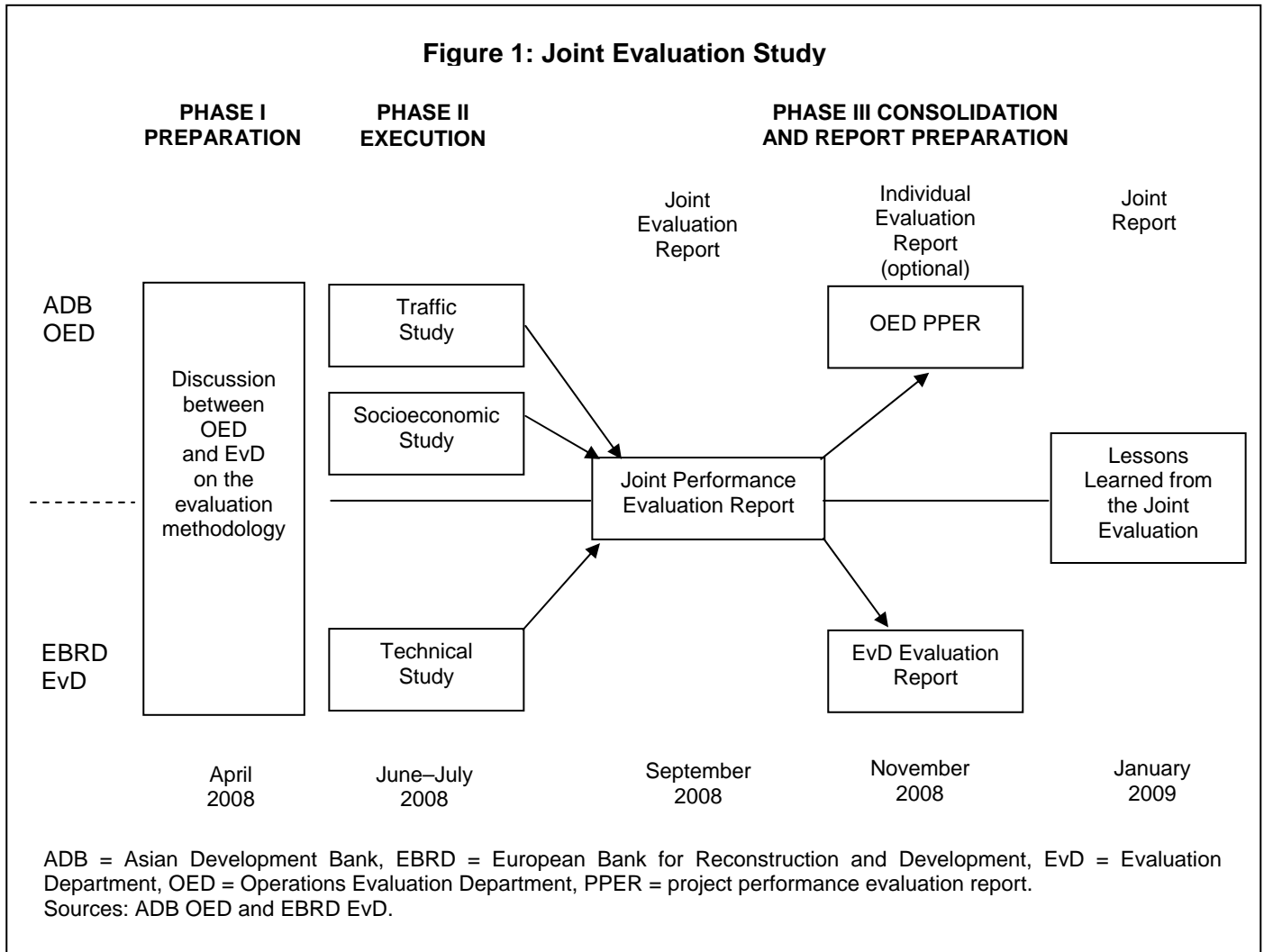
15. Figure 1 shows the evaluation activities. The traffic study and the socioeconomic study will be funded and managed by ADB. The technical study will be funded by EBRD. All the data sources, i.e., ground studies, will cover both the ADB, as well as the EBRD sections.

16. The traffic study will update the traffic count and provide the vehicle operating cost savings. These data will be used for the economic analysis comprising economic internal rate of return and distribution analysis taking into account the subregional dimensions of the project. This economic analysis will be based on the guidelines provided in ADB's *Handbook for the Economic Analysis of Subregional Projects*.

17. Based on the findings of the field surveys, OED and EvD will prepare a JPER. A draft outline of the JPER is provided in Appendix 2 for discussion purpose. This JPER will act as the source of information for drafting the subsequent individual reports (paras. 8–9), as needed by ADB and EBRD. The individual reports will be prepared separately by OED and EvD. However, if the JPER fulfills the organization's internal needs, then a separate individual report will not be prepared.

18. To analyze the synergies and issues of the joint evaluation exercise, OED and EvD will prepare a brief report analyzing their experience of working together (para. 10). This report on lessons learned could be combined with the JPER or drafted separately.

19. Appendix 3 provides an evaluation framework for OED's PPER. It also includes a framework for evaluating the sub-regional impact of the Almaty-Bishkek regional road. Appendix 4 provides the terms of reference for the consultants to carry out these studies.



20. To ensure clearer understanding among OED and EvD, it is proposed to sign a memorandum of understanding (MoU) between the two organizations. A draft of the MoU is provided in Appendix 5.

E. Key Evaluation Issues to be Addressed by the Operations Evaluation Mission

21. Appendix 1 provides a list of issues and aspects that will be analyzed by the evaluation. In addition, the following issues would be focused on:

- (i) **Physical design and construction of the road.** The evaluation will analyze whether the physical design and construction of the road was adequate taking into consideration the geological conditions, climatic conditions, and nature of traffic on the road. In addition, the potential sustainability of the road will be evaluated in light of the existing maintenance regime. A roads engineer will be appointed to study this aspect.
- (ii) **Validation of PCR findings.** The efficiency of the completed project as assessed by the project completion report (PCR) was based on the traffic count carried out by the Government in 2005. This traffic count needs to be updated and made more robust, i.e., OED intends to carry out a 5-day 18-hour traffic count at key locations to evaluate the national vis-à-vis international traffic.

- (iii) **Regional benefits and their distribution.** Typically, a cross-border road will have limited regional benefits accruing in the initial years after completion. However, in this case, the road existed before the ADB-EBRD intervention. The evaluation will measure any incremental benefits that are visible after the rehabilitation was completed in 2005.
- (iv) **Additionality.** Whose idea was this (multilateral development banks or DMCs?) and what was the extent of country ownership in the Project? What additionality the Project has brought about from being a subregional project as opposed to a national project? What would have happened if the Project was not designed and implemented as a subregional project?
- (v) **Trade facilitation and economic growth.** Generally, it is an expected fact that rehabilitation of roads is necessary but not sufficient for facilitating trade and economic activity. The evaluation will attempt to identify the other constraints that need to be addressed to ensure this in the context of the Project, particularly looking at EC/TRACECA-funded component and the CBA among others.
- (vi) **Socioeconomic benefits.** Has the Project impacted on socioeconomic and environment aspects of the project-influence areas in both countries? Did the Project exert any influences on livelihoods of the local people? The evaluation will update the findings of the Project Completion Review Mission. The information will include anecdotal evidence and direct interviews of transport organizations, truck owners, key village informants, shop keepers, business operators and farmers, and other households in the vicinity of the project roads. The survey will identify changes, if any, in socioeconomic, environmental, and road safety conditions due to the road improvements.
- (vii) **Road safety.** In CARs, it has been observed that improvement in road condition is closely linked with deterioration in road safety. The evaluation will assess the safety using the secondary data on accidents and interviews with road users.
- (viii) **Sustainability and development results monitoring.** Are the short-term outcomes produced by the Project going to be sustained? If so, what are the mechanisms in place for technical and also financial areas required to upkeep the road infrastructure and trade facilitation? What have been the mechanisms at both multilateral development bank and respective governments for development results monitoring? The proposed evaluation will address these questions.
- (ix) **Institutional development.** The Project included a TA that enabled the establishment of the Permanent Secretariat for Road Safety in the Kyrgyz Republic. It also recommended organizational changes in the Kazakhstan Ministry of Transport and Communications. The evaluation will assess the outcomes of these efforts and analyze the success of the TA.

F. Resource Requirements and Proposed Schedule

22. The evaluation resources of ADB and EBRD will be pooled to create synergies and avoid overlapping. Recent discussions indicated that EBRD is keen to evaluate the physical condition of the road and the procurement practices. ADB is keen to evaluate the benefits and achievement of outcomes in terms of traffic growth and trade development and obtain lessons on the project design. Taking into consideration the priorities of the two organizations, the following team of staff consultants is proposed:

1. Funded by ADB

- (i) One domestic consultant (Transport Expert) to gather and process necessary data on traffic count, time savings, and origin-destination data for carrying out the economic analysis and the distribution analysis (1.5 person month-inputs); and

- (ii) One domestic consultant (Social Expert) to carry out the socioeconomic impact assessment (1.5 person-month inputs).

2. Funded by EBRD

- (i) One international consultant (Highway Engineer) to inspect the road pavement quality, selectively determine surface roughness, and assess the current operations and maintenance regime as well as the likelihood of the project sustainability (1 person-month input).

23. The terms of reference of the above consultants are provided in Appendix 4. Appendix 6 provides the cost estimates for the consultants' inputs, as well as the cost for carrying out the field surveys.

24. As mentioned in para. 8, the evaluation will require two missions to the field—in June 2008 and in September 2008.

25. The schedule for preparing the OED evaluation is proposed as follows:⁷

Evaluation Approach Paper Discussion with Director OED2	I May 2008
Initial Desk Review	II May–I June 2008
Preliminary Evaluation Mission	II–III June 2008
Submission of Domestic Consultants' Outputs	IV July 2008
Draft PPER for internal Review	IV August 2008
Joint Evaluation Mission	II–III September 2008
Draft for Interdepartmental/Government Review	II October 2008
Draft Final Report for Editing	II November 2008
Submit to the Director General, OED	II December 2008
Preparation of Joint Summary Report	IV January 2009

26. **Knowledge Dissemination Plan.** The PPER and the joint summary report will be available to the public after the Director, OED2 has approved them. The reports will be uploaded on ADB external and internal websites, as well as will provide inputs to ADB's evaluation information system. The synthesis report of the joint evaluation will be presented at an Evaluation Cooperation Group meeting in 2009.

27. Marco Gatti and Geoff Crooks will be the peer reviewers for this evaluation study.

⁷ EvD will follow a corresponding schedule according to its administrative requirements.