

**Validation Report**  
August 2017

# Kazakhstan: CAREC Transport Corridor I (Zhambyl Oblast Section) [Western Europe–Western People's Republic of China International Transit Corridor] Investment Program (Tranche 2)

Reference Number: PVR-500  
Project Number: 41121-033  
Loan Number: 2562

Independent  
**Evaluation** 

*Raising development impact through evaluation*

## ABBREVIATIONS

ADB	–	Asian Development Bank
CAREC	–	Central Asia Regional Economic Cooperation
COR	–	Committee of Roads
EIRR	–	economic internal rate of return
EMP	–	environmental management plan
GDP	–	gross domestic product
IDB	–	Islamic Development Bank
JICA	–	Japan International Cooperation Agency
km	–	kilometer
MFF	–	multitranches financing facility
MID	–	Ministry of Investment and Development
MOTC	–	Ministry of Transport and Communications
PFRR	–	periodic financing request report
PMC	–	project management consultant
PPMS	–	project performance management system
PRC	–	People's Republic of China
vpd	–	vehicles per day

## NOTE

In this report, “\$” refers to US dollars.

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## PROJECT BASIC DATA

Project Number	41121-033	PCR Circulation Date	14 Sep 2016	
Loan Number	2562	PCR Validation Date	Aug 2017	
Project Name	CAREC Transport Corridor I (Zhambyl Oblast Section) [Western Europe–Western People's Republic of China International Transit Corridor] Investment Program (Tranche 2)			
Sector and Subsector	Transport	Road transport (non-urban)		
Strategic Agendas	Regional integration Inclusive economic growth			
Safeguard Categories	Environment		A	
	Involuntary Resettlement		A	
	Indigenous Peoples		C	
Country	Kazakhstan		Approved (\$ million)	Actual (\$ million)
ADB Financing (\$ million)	ADF: 0.00	Total Project Costs	220.00	218.65
	OCR: 187.00	Loan	187.00	184.66
		Borrower	33.00	33.99
		Beneficiaries	0.00	0.00
		Others	0.00	0.00
Cofinancier		Total Cofinancing	0.00	0.00
Approval Date	7 Oct 2009	Effectiveness Date	60 days after the date of the Loan Agreement	13 April 2010
Signing Date	3 Dec 2009	Closing Date	30 Jun 2015	22 Oct 2015
Project Officers	E. Kwon M. Rehman E. Kwon S. Mitra Z. Wu A. Galiev	Location ADB Headquarters ADB Headquarters ADB Headquarters ADB Headquarters ADB Headquarters ADB Headquarters	From Oct 2009 Dec 2009 May 2011 Oct 2011 Sep 2013 Jan 2014	To Nov 2009 Apr 2011 Sep 2011 Sep 2013 Jan 2014 Oct 2015
IED Review Director	N. Subramaniam, IESP			
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ADB = Asian Development Bank; ADF = Asian Development Fund; CAREC = Central Asia Regional Economic Cooperation; IED = Independent Evaluation Department; IESP = Independent Evaluation Department, Sector and Project Division; IETC = Independent Evaluation Department, Thematic and Country Division; OCR = ordinary capital resources; PCR = project completion report.

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## I. PROJECT DESCRIPTION

### A. Rationale

1. Kazakhstan's economy had grown rapidly for several years, with annual gross domestic product (GDP) averaging over 10% between 2001 and 2007. Kazakhstan's economic growth was expected to result in a corresponding increase in road freight transport (in ton-kilometers) of about 10% per year and a rise in the number of vehicles of about 5% per year. The country's vast territory, low population density, scattered mineral resources across the country, and strategic location between Europe and Asia results in high dependency on the transport system with roads

as a key element. Much of the road network was in poor condition with about 60% of the republican (national) roads requiring major rehabilitation and proper maintenance. The feeder road network, serving the rural population, was not fully developed and was characterized by poor conditions and low service level, especially during wintertime. These resulted in a high cost of goods, with transport cost at about 10% of the cargo value.

2. The road sector had long-standing operational and institutional bottlenecks. The network was incomplete with some sections in bad condition. Truck overloading was endemic, further damaging the roads. Revenues from transit were low and cross-border procedures inefficient. The weak road sector planning affected investments and shortcomings in project development and management created inefficiencies, high costs, and bad governance.

3. A transport sector strategy was developed to improve and expand the network over the short to medium term.<sup>1</sup> This outlined various objectives, including quantitative and qualitative targets and operating principles. The underlying theme was to make the road system larger, better, more accessible, more affordable, more efficient, safer, and more environment-friendly. The strategy also aimed for greater integration between different modes, cost recovery, and more outsourcing to the private sector. To implement the transport strategy, the government sought financial assistance from the Asian Development Bank (ADB) and other development partners.

4. In November 2008, ADB's Board of Directors approved a \$700 million multitranche financing facility (MFF) loan to support a \$1.48 billion transport corridor construction and rehabilitation.<sup>2</sup> ADB's portion of the corridor would be cofinanced with the Islamic Development Bank (IDB, \$414 million); the Japan International Cooperation Agency (JICA, \$150 million); and the government (\$216 million). These works were to contribute to the completion of the Western Europe–Western People's Republic of China International Transit Corridor, which had an estimated total cost of \$6.7 billion (including the \$1.48 billion works supported by ADB); the European bank for Reconstruction and Development, the World Bank, and the private sector were each financing sections of the 2,715 kilometers (km) of road to complete the corridor by the end of 2012.

5. Given the breadth and scope of the investment requirements and capacity constraints, the MFF modality was considered more appropriate than the traditional investment project modality. It also provided flexibility to the government as it could easily modify the amount and timing of ADB contributions under each tranche. Financing could be linked with technical, safeguards, legal, and other project readiness filters and allows ADB to enter into a medium-term partnership with the authorities and its cofinancing partners, and in the process creates stability and credibility at the level of the financing plan. All the condition precedents for the use of an MFF were in place: strategic context, road map, policy framework, investment program, and financing plan.

6. In October 2009, a periodic financing request report (PFRR) was approved for tranche 2 of the MFF. The 79 km of road and four maintenance depots were expected to cost \$220 million, of which \$187 million will be financed by ADB loan and the government will provide the \$33 million additional financing required. At the same time, the IDB and the government would finance an additional 57 km segment, as part of the coordinated plan agreed at appraisal, although the ADB and IDB projects were managed separately. The total activities under the second phase of the

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<sup>1</sup> Decree of the President of the Republic of Kazakhstan. 2006. *Transport Sector Strategy of the Republic of Kazakhstan up to 2015*. Astana.

<sup>2</sup> ADB. 2008. *Proposed Multitranche Financing Facility and Administration of Loan for CAREC Transport Corridor I (Zhambyl Oblast Section) [Western Europe–Western People's Republic of China International Transit Corridor] Investment Program in Kazakhstan*. Manila.

MFF were expected to cost \$415 million.<sup>3</sup> In September 2016, a project completion report (PCR) was prepared for tranche 2 of the MFF which is the subject of this validation.<sup>4</sup>

## **B. Expected Impact, Outcomes and Outputs**

7. The expected impact of both the MFF and Tranche 2 was sustainable economic development. At appraisal, the MFF had three impact indicators—GDP growth, increased value of export–import trade, and transport and distribution sector outputs— whereas, the Tranche 2 PFRR had only two—GDP growth and export–import growth. Achievement against these indicators is discussed in the Preliminary Assessment of Development Impact section (paras. 36–38).

8. The expected outcome of both the MFF and Tranche 2 was development of an efficient transport network in Zhambyl Oblast, however, the MFF's report and recommendation of the President (RRP) included an additional expected impact of improved transport sector institutions capacity. The PFRR's design and monitoring framework (DMF) included five indicators, four of which were a subset of the 10 MFF outcome indicators reflecting the activities Tranche 2 intended to support, while the fifth indicator focused on project beneficiaries. The four common outcome indicators between the two DMFs were: (i) freight transport cost reduced from 10% of the cargo value to 5%; (ii) average traffic volume increased from 4,000 vehicles per day (vpd) to 7,000 vpd; (iii) average travel time between Zhambyl Oblast and the south Kazakhstan border reduced from 10 hours to 6 hours; and (iv) road accident rate reduced from 0.3 fatalities/km to 0.1 fatalities. The fifth outcome indicator was that the number of people benefited in the project area would be 10,000.

9. The expected output was the 79 km highway section in Zhambyl Oblast. The PCR (footnote 4) included an additional expected project output of four road maintenance depots constructed.<sup>5</sup> The first output was to be achieved by upgrading two sections of the Kulan–Blagoveschenka road from the existing two-lane asphalt to a four-lane cement concrete pavement. The second output was to be achieved by building maintenance depots in Akyrtoobe, Korday, Merke, and Otar. Achievement against outcome and output indicators is discussed in the section on Effectiveness in Achieving Program Outcomes and Outputs (paras. 21–24).

## **C. Provision of Inputs**

10. Tranche 2 was approved on 7 October 2009, declared effective on 13 April 2010, and the loan closing date was on 30 June 2015, as planned. Loan effectivity was delayed by about 70 days, requiring two extensions. The PCR and the available back-to-office reports did not give any information on the causes of this loan effectiveness delay, but the PCR noted this was an improvement over the time required to achieve loan effectiveness for Tranche 1. The Tranche 2 detailed design was completed in May 2009 with works expected to be completed by December 2014. The works were divided into three lots.

<sup>3</sup> ADB. 2009. *Periodic Finance Request Report: MFF 0024-KAZ: CAREC Transport Corridor I (Zhambyl Oblast Section) [Western Europe–Western People's Republic of China International Transit Corridor] Investment Program–Proposed Tranche 2*. Manila.

<sup>4</sup> ADB. 2016. *Completion Report: CAREC Transport Corridor I (Zhambyl Oblast Section) [Western Europe–Western People's Republic of China International Transit Corridor] Investment Program (Tranche 2) in Kazakhstan*. Manila.

<sup>5</sup> The PFRR included the four maintenance depots in Table 3: Cost Estimates as item A.1. (ii) Road operation facilities (\$11 million) and the PFRR's Attachment 1 includes the government's financing request which has Road operation facilities (4 sites) listed in the items to be financed. It appears the omission of the maintenance depots output in the PFRR's DMF was an oversight.

- (i) Lot 1: Road section 1 involved upgrading 48.1 km of road to a four-lane cement concrete road. In 2010, about 20 km of the planned route along the Kazakhstan–Kyrgyz Republic border was found to be entirely on the Kyrgyz side. Therefore, the road was realigned about 200 meters to the north, requiring a new road prism and increasing the project cost.<sup>6</sup> The diversion road also required repairs during the implementation period. Together these changes increased the cost by \$20.35 million.
- (ii) Lot 2: Road section 2 involved upgrading 30.8 km of existing road to four-lane cement concrete. Variations were implemented to provide more benefits to road users and communities along the project road (relocation of communication cables, additional road safety facilities, additional cattle underpass crossings) which added cost to the project.
- (iii) Lot 3: Maintenance depot works involved construction of four maintenance depots. Two contracts were awarded, each to complete two depots. All depots experienced construction delays, and only one was completed during the project. The other three were expected to be completed using government funds.

11. At appraisal, the Tranche 2 cost of the ADB component was estimated at \$220 million, comprised of \$195 million (88.64%) for civil works, \$5 million (2.27%) for consulting services, and \$20 million (9.09%) for contingencies. At Tranche 2 completion, the actual cost was \$218.65 million. ADB provided \$187 million, or about 85% of the appraisal estimate, while the government financed \$33 million. Contingencies were reallocated to civil works to finance several minor technical variations accounting for 18% of the original contract amounts and to price escalation of construction materials and resources reaching 28% of the original contract amounts.

12. The PFRR indicated that the approximate person-months requirement for Tranche 2 construction supervision was about 77 person-months of international consultant and 336 person-months of national consultant services. The PCR indicated that the budget allocation for consulting services was reduced from \$4 million to \$3.21 million, with \$2.83 million disbursed to the construction supervision firm Dohwa Consulting Engineers Co. Ltd. The number of international and national consultants mobilized was not given in the PCR.

13. The PFRR classified Tranche 2 under environment category A. The PCR stated that an environment impact assessment was prepared in accordance with ADB's Environment Policy (2002), the country's environmental laws and regulations, the environmental assessment and review framework, and the cumulative environmental impact assessment prepared for the investment program. The project had usual construction-related environmental impacts and potential impacts on archeological sites in the project's right-of-way. The PCR stated that five semiannual environmental monitoring reports were submitted and monitoring of air, noise, vibration, and water were completed. During the project, the contractor cut 6,530 trees along one of the road sections. Reforestation along the project road was to be implemented with government financing, but the PCR reported that as of July 2016 the reforestation works had not commenced.

14. For resettlement, Tranche 2 was categorized A. The land acquisition and resettlement plan (LARP) identified 1,243 affected persons, including 99 households and 11 legal entities and workers and traders in affected establishments. However, with the road realignment, two more LARPs were prepared in 2011 and a third prepared in July 2013 for three affected persons who were left out during preparation of the main LARP. A total of 123 affected parties comprising

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<sup>6</sup> The PCR (para. 34) advised that the 2010 formation of the Eurasian Economic Union (Belarus, Kazakhstan, and the Russian Federation) resulted in increased border security requirements, and therefore the realignment to bring the transit corridor entirely within Kazakhstan was a necessary change from the design that was completed in 2009.

110 households and 13 legal entities were identified and received compensation. During Tranche 2, complaints included issues on the environment and resettlement, negative impacts on businesses and access to farmlands, cemeteries, and quality water, but all cases were apparently resolved. Tranche 2 had no expected impact on indigenous peoples and was classified category C as defined by ADB.

## **D. Implementation Arrangements**

15. At appraisal, the Ministry of Transport and Communications (MOTC) was the executing agency and the Committee of Roads (COR), under MOTC, was the implementing agency. MOTC was expected to establish a team to manage the MFF Program. The team will be headed by a project director, to be assisted by a team of MOTC staff in the areas of engineering, finance, legal, and procurement matters, and by the project management consultant (PMC) and construction supervision consultant teams.

16. The institutional arrangement during implementation was as envisioned at appraisal. The government reorganized its ministries in August 2014, replacing the MOTC with the Ministry of Investment and Development (MID), which absorbed the functions of the MOTC. These institutional changes did not affect the implementation arrangements as the COR remained the implementing agency until project completion. The COR's deputy chairman was the Tranche 2 director and was assisted by selected COR staff with expertise in engineering, finance, law, and procurement. The Zhambyl Oblast Road Department represented the COR in the field sites to ensure smooth project implementation, while the Zhambyl Zhol road laboratories monitored test results related to the road construction. The validation finds the implementation arrangement, especially having the COR as executing agency, very appropriate, since it already had staff with expertise in the various fields required for the project. In addition, COR was adequately represented in the project site by the Zhambyl Oblast Road Department and the Zhambyl Zhol road laboratories. This assured sustained monitoring of project implementation activities by COR and its delegate. The MOTC and COR were further assisted by the PMC, as planned at appraisal, given the government's resource constraints due to the overall corridor development program.

17. All of the 33 loan covenants were complied with. In its appendix 10, the PCR did not clearly mark the financial management system as complied with, but does state that MOTC and MID established the required financial management system for Tranche 1 and that the same system was adopted for Tranche 2. This validation interprets this information as compliance with the covenant requirements.

## **II. EVALUATION OF PERFORMANCE AND RATINGS**

### **A. Relevance of Design and Formulation**

18. The PCR rated Tranche 2 *relevant*. It was intended to address transport problems such as the poor road network connectivity, poor quality of existing road assets, and road safety issues. It was envisioned to boost international trade and regional cooperation among neighboring countries. Tranche 2 was aligned with the government's transport sector strategies, which prioritized improvement in the national road network. It was also consistent with ADB's country partnership strategies for Kazakhstan and the *Central Asia Regional Economic Cooperation (CAREC) Transport and Trade Facilitation Strategy 2020*.

19. The PCR noted that Tranche 2 was well designed with strong government sense of ownership, as the COR commissioned the project design, monitored project implementation, and

inspected the project roads during the defects notification period. The JSC KazAvtoZhol, a new national agency for road maintenance and operations, was expected to take over the operations and maintenance of Tranche 2 works after completion.

20. The validation also considers the context of Tranche 2 within the broader development of the Western Europe–Western People’s Republic of China International Transit corridor. The planning of the entire route, with works divided among several development partners to bring the entire project to completion, appears to have ensured the focus of MOTC and COR on delivering a critical piece of infrastructure. The additional resource needs for the government appear to have been adequately anticipated and provided. Contingency budgets were adequate to respond to changed requirements, and design was updated to meet requirements of local beneficiaries as they were identified. The design appears to have delivered all intended outputs, although the impacts on Kazakhstan’s GDP for the project appear to have been affected by broader macroeconomic issues beyond the control of the transport corridor at the time of completion of Tranche 2. This validation also notes that it appears to have some weaknesses in the design for the maintenance depots, although there were plans for the government to complete the three maintenance depots through its own resources and for ongoing maintenance to be the responsibility of KazAvtoZhol, which together may be sufficient to address this important project component. This validation also rates the project *relevant*.

## **B. Effectiveness in Achieving Project Outcomes and Outputs**

21. The PCR rated Tranche 2 *effective*. In terms of the five outcome indicators, the PCR reported: (i) travel time between Otar and southern Kazakhstan decreased from 10 hours in 2009 to 6 hours at Tranche 2 completion; (ii) average annual daily traffic on the Merke–Kulan road section increased from 4,000 vehicles per day (vpd) to 8,000 vpd, exceeding the target of 7,000 vpd; (iii) vehicle operating cost savings per km for freight vehicles achieved 36% in 2015 compared to 2010; (iv) road accident rate reduced to 0.08 fatalities per km in 2015 from 0.3 fatalities per km in 2006; and, (v) more than 10,000 people in the project area benefited.

22. This validation notes that the outcome targets used different measurement units for the transport cost of freight indicator from that in the PFRR. The vehicle operating costs savings per km is difficult to compare with the PFRR’s stated target of reduced transport cost for freight to 5% of the cargo value from 10% in 2008. While it appears the costs were reduced, this validation is not able to confirm if the planned outcome indicator target was achieved. The PCR noted that more than 10,000 people in the project area benefited, but no data were presented to support this finding.

23. In terms of the achievement of project outputs, the PCR notes that highway section km 310.5–km 389.4 in Zhambyl Oblast was reconstructed with international roughness index of less than 3 meters per km as targeted. Of the envisaged maintenance depots, only the Merke depot was completed within the Tranche 2 time frame. The Akyltrobe and Korday depots were expected to be completed by the end of 2016, outside of the project using government funds. Works at the depot in Otar were commenced but not completed and were on hold at the time of the PCR.

24. This validation also rates Tranche 2 *effective*.

## **C. Efficiency of Resource Use**

25. The PCR rated Tranche 2 *efficient*, stating it achieved key outputs as designed, within budget, and on schedule. The PCR recalculated the economic internal rate of return (EIRR) using



revised traffic demand, costs, and parameter values. The recalculated EIRR of 14.8% at completion, while above ADB's threshold of 12%, was less than the EIRR of 16.4% at appraisal due to lower forecasts for the average annual daily traffic growth beyond 2016. The lower forecast accounted the sharp slowdown in 2014–2015 GDP growth and the expected slow recovery of Kazakhstan and the regional economies, primarily caused by slower economic growth in the People's Republic of China (PRC) and the drop in mineral prices.

26. This validation also attributes the lower EIRR to the required realignment for 20 km of road, which resulted in higher contract costs and delayed project implementation. In addition, only one maintenance depot was completed during the loan period. However, the bulk of project benefits is generated by the roads subproject.

27. This validation finds the recalculation of Tranche 2's EIRR in accordance with standard practice and the results were based on assumptions considered to be reasonable. Based on the previous discussions, this validation rates the Tranche 2 *efficient*, the same as the PCR rating.

#### **D. Preliminary Assessment of Sustainability**

28. The PCR rated Tranche 2 *likely to be sustainable*. The PCR noted that the road was well-constructed and designed for an axle load of 13 tons, which was in excess of actual vehicle loads of up to 10 tons per axle. The Ministry of Investment and Development's Committee of Transport has implemented an efficient enforcement mechanism to prevent operations of overweight vehicles on Kazakhstan roads, therefore, potential damage of the road surface by overweight vehicles is minimized.

29. The PCR assessed that the maintenance depots, both completed and yet to be completed after Tranche 2, should assure quick response time for cleaning the roads, especially during winter. Maintaining road signs and markings, monitoring overall road conditions on a daily basis, and providing routine maintenance of the road surface should also be ensured. With KazAvtoZhol as the national road operator responsible for construction and maintenance of the national highway network, it is expected to be self-financing in developing and maintaining the national highway network. This was expected to be achieved through tolling of 7,000 km of major highways, among other options.

30. The Committee of Roads (COR) and KazAvtoZhol initiated further institutional reforms in road maintenance with the performance-based maintenance project planned for implementation with ADB financial and institutional support subsequently.

31. The PCR notes that the government funding for the country's whole road network increased from 0.63% of GDP in 2013 to 0.84% of GDP in 2015. This validation notes that no additional information on road maintenance funding for Zhambyl Oblast or the Tranche 2 road corridor were provided. In particular, the PCR neglected to provide indication of the funds earmarked for periodic maintenance funding of the Tranche 2 road sections. Without more detailed information, it is not possible to determine with certainty if the current level of maintenance funding for the Tranche 2 roads is sufficient.

32. The PCR further indicates that there were two possibilities for additional road maintenance funding: (i) the Tranche 2 roads were candidates for becoming toll roads and that, should this happen, additional funding for road maintenance would be available; and (ii) restoration of the Kazakhstan's Road Fund would provide additional funding for road maintenance in the future. Also, the two possibilities for future road funding were mentioned in passing and not fleshed out.

It would have been useful for the PCR to provide more details on each of the options and the likelihood of their coming into fruition.

33. This validation recognizes the critical nature of this infrastructure, and that the national road operator has been established with the responsibility for the maintenance. The increased portion of the national budget, the early-stage plans for the maintenance, and the attention given to the reduction of overweight trucks using the road, all appear to indicate that the maintenance will be done as required. Based on the information available at the time of the PCR, this validation finds the project *likely to be sustainable*.

### **III. OTHER PERFORMANCE ASSESSMENTS**

#### **A. Preliminary Assessment of Development Impact**

34. The PFRR indicators were as follows: (i) Kazakhstan's GDP to grow by 60% and (ii) the country's export and import to increase by 30% above 2010 baseline.

35. The PCR's DMF shows that while one of the PFRR's impact indicators is on-track, two other indicators are off-track. The GDP growth between 2010 and 2015 was 24.5% and thus fully on-track to achieve the targeted 30% increase by 2020. By contrast, imports declined by 19.1% between 2010 and 2015, thus rendering the expected 30% growth by 2020 difficult. Likewise, exports declined by 26.9% over the same period, making the expected 30% growth by 2020 also unlikely. These results appear to be due to the broader macroeconomic environment of Kazakhstan, rather than to the project design.

36. In its sections on socioeconomic impact and regional economic impact, the PCR used data generated from the project performance management system (PPMS), interviews, and consultation meetings with local people. From 2009 to 2013, unemployment in Zhambyl Oblast fell from 6.0% to 5.1%, with most of those employed on the project from the local population. The improved road sections are expected to stimulate trade with neighboring countries, such as the Kyrgyz Republic, the PRC, the Russian Federation, and Uzbekistan. Part of the national transit corridor connecting the European Union, Kazakhstan, and the Russian Federation with the PRC, the road is expected to reduce travel time and vehicle operating costs. These would lower the cost of trade and stimulate regional economic activity. The establishment of the Eurasian Economic Union comprised of Armenia, Belarus, Kazakhstan, the Kyrgyz Republic, and the Russian Federation in 2015 would stimulate regional economic development and trade. However, the PCR did not provide data to support its arguments on the impact of the road project on the economy of Kazakhstan and the region. In addition, the PCR did not rate the development impact of the project.

37. This validation notes that the achievement of the PFRR's impact indicators is mostly off-track, but the lack of relevant data from the PPMS system renders assessment of the program's development impact difficult, hence, no assessment rating could be made.

#### **B. Performance of the Borrower and Executing Agency**

38. The PCR assessed the performance of the borrower and executing agency as *satisfactory*. The change of executing agency from MOTC to MID did not affect project implementation arrangements. The COR remained the implementing agency under MID's guidance until Tranche 2 completion. The government complied with all loan covenants during Tranche 2 implementation. The COR followed ADB's guidelines and policies on safeguards,

anticorruption measures, financial management, disbursements, procurement of works, and recruitment of consultants. The established communication with ADB facilitated effective implementation.

39. This validation notes that ADB missions observed that the COR had inadequate staff to manage the work load of two loan tranches and recommended that more staff be mobilized or hired. Most project issues faced by the COR were on procurement and land acquisition and resettlement. In fact, the project supervision consultant was requested to hire a social safeguards specialist to ensure that safeguard matters are properly addressed.

40. This validation also notes that there were no issues on the availability of the government's counterpart funding. The government expressed willingness to finance the costs of completing the maintenance depots, which were still incomplete at loan closing. Based on the discussions, this validation rates the MOTC/MID and COR performance *satisfactory*, the same as the PCR assessment.

### **C. Performance of the Asian Development Bank and Cofinanciers**

41. The PCR assessed ADB's performance *satisfactory*. ADB collaborated with the Ministry of Finance and MOTC/MID on strengthening project readiness. During project implementation, ADB gave substantial and timely support to MOTC/MID and COR by providing guidance in resolving technical or safeguards implementation issues and promptly responding to requests to reallocate loan proceeds. ADB quickly reviewed contract variations to avoid delays in works' progress and extended the loan closing date at the government's request. ADB coached MOTC/MID and COR staff on ADB guidelines on procurement, consultant recruitment, project administration, contract administration, disclosure, and disbursements.

42. ADB monitored implementation progress and resolved issues through 22 review missions and site visits. Communication and coordination among ADB, MOTC/MID, and COR was smooth and effective.

43. IDB provided parallel cofinancing to the project. There was no coordination in ADB and IDB operations, although IDB followed ADB's social and environmental safeguards policy. IDB implemented its road section using its own procurement guidelines. IDB mobilized its own PMC, MinConsult (Malaysia) and SCS Dar-Alhandasah (Lebanon) to support the project implementation (footnote 4). Overall, the PMC closely coordinated its work with the executing agency, which resulted in the successful completion of all works.

44. Overall, ADB was very responsive to the requests of the MOTC/MID and COR to facilitate completion of Tranche 2 and even mobilized special missions, primarily on social safeguards, to assist the COR. This validation assesses the performance of ADB to be *satisfactory*, the same as the PCR rating.

## **IV. OVERALL ASSESSMENT, LESSONS, AND RECOMMENDATIONS**

### **A. Overall Assessment and Ratings**

45. The validation rates the PCR's overall rating *successful*, confirming the PCR's rating of *successful*.

### Overall Ratings

Validation Criteria	PCR	IED Review	Reason for Disagreement and/or Comments
Relevance	Relevant	Relevant	
Effectiveness	Effective	Effective	
Efficiency	Efficient	Efficient	
Sustainability	Likely sustainable	Likely to be sustainable	
<b>Overall assessment</b>	Successful	Successful	
Preliminary assessment of impact	No rating	No rating	Lack of relevant data from the PPMS system renders assessment of the program's development impact difficult.
Borrower and executing agency	Satisfactory	Satisfactory	
Performance of ADB	Satisfactory	Satisfactory	
Quality of PCR		Satisfactory	

ADB = Asian Development Bank, IED = Independent Evaluation Department, PCR = project completion report.

Note: From May 2012, IED views the PCR's rating terminology of "partly" or "less" as equivalent to "less than" and uses this terminology for its own rating categories to improve clarity.

## B. Lessons

46. The PCR identified five lessons from the project. On collaborative cofinancing arrangement, while the PCR noted that the partnership of three development institutions—ADB, IDB, and Japan International Cooperation Agency—served as a good example of development partner coordination, Tranche 2 only involved ADB and IDB. In addition, except for implementing ADB safeguard guidelines, IDB implemented its project component independently of ADB. On road design, the PCR noted that a proper assessment of the road alignment and other minor corrections should have been addressed during the design phase. The COR expressed that one international competitive bidding of procurement package for the four depots would have been more attractive to more experienced international bidders.

47. The PCR further noted that the detailed design prepared by KazDorProject<sup>7</sup> had many mistakes and omissions that were corrected during implementation. It was proposed that ADB can consider assisting the COR and KazAvtoZhol in determining the feasibility of design-and-build contracts for future road projects. Lastly, the PCR noted that during preparation of this PCR, essential information required for the project impact assessment was not available. ADB should provide detailed guidance during project preparation on the establishment and implementation of the project performance management system (PPMS), although the project team, the PMC, and ADB were tasked to assist MOTC in the monitoring and evaluation of project impacts.

48. This validation noted that the maintenance depots, although a small component of the project, should have been vetted more closely. It could have avoided most of the issues that subsequently caused delays and completion of 3 out of 4 depots outside of the loan effectivity period (see para. 23).

<sup>7</sup> sKazDorProject was commissioned by MOTC for the design preparation of the road.

### **C. Recommendations for Follow-Up**

49. ADB should follow up on the PPMS activities and its effective and efficient collection of project impact data, for one. It was surprising that for Tranche 2, the PPMS seemed to be grossly deficient in the area of benefit evaluation. The PPMS should have already been established and running with all components—project monitoring and benefit evaluation—operational during Tranche 1 implementation. The ADB Tranche 2 missions only mentioned the deficiency in the PPMS once and did not follow up on its observation in the subsequent missions.

50. Follow up should be done to confirm the maintenance depots are completed and operational. Additional follow up should be done to confirm the reforestation along the new highway is completed.

## **V. OTHER CONSIDERATIONS AND FOLLOW-UP**

### **A. Comments on Project Completion Report Quality**

51. This validation finds the PCR to be *satisfactory*, although it had one important deficiency—lack of relevant data in the PPMS. Given the deficiencies of the system, the PCR should have undertaken a more thorough determination of project impacts as identified in the DMF. The PPMS was an important component of Tranche 2 and should have been given more attention by ADB missions and the implementing agency.

### **B. Data Sources for Validation**

52. The data sources included the RRP, PCR, back-to-office reports of loan review missions, country partnership strategy, Kazakhstan's Transport Strategy, and the *CAREC Transport and Trade Facilitation Strategy 2020*.

### **C. Recommendation for Independent Evaluation Department Follow-Up**

53. The PCR did not give any recommendation on the conduct of a project performance evaluation report in the future. This validation finds that an evaluation report for all tranches should be undertaken. This would provide important lessons on the MFF modality specifically on the expected improvement in project design and implementation from the initial to subsequent tranches.