

Validation Report
May 2018

Kyrgyz Republic: Emergency Assistance for Recovery and Reconstruction

Reference Number: PVR-568
Project Number: 44236-013
Loan Number: 2668
Grant Number: 0217



Raising development impact through evaluation

ABBREVIATIONS

ADB	-	Asian Development Bank
DMF	-	design and monitoring framework
EARR	-	Emergency Assistance for Recovery and Reconstruction
EBRD	-	European Bank for Reconstruction and Development
GDP	-	gross domestic product
NGO	-	nongovernment organization
PCR	-	project completion report
PMC	-	project management consultant
RRP	-	report and recommendation of the President
SAACCS	-	State Agency for Architecture Construction and Communal Services
SDR	-	special drawing right
WSS	-	water supply and sanitation

NOTE

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

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PROJECT BASIC DATA

Project Number	44236-013	PCR Circulation Date	19 Jul 2017	
Loan/Grant Numbers	2668 and 0217	PCR Validation Date	May 2018	
Project Name	Emergency Assistance for Recovery and Reconstruction			
Sector and Subsector	Public Sector Management/Public Expenditure and Fiscal Management	Water and other urban infrastructure and services/Other urban services (Urban housing and Urban water supply)		
Strategic Agenda	Environmentally sustainable growth Inclusive economic growth			
Safeguard Categories	Environment		B	
	Involuntary Resettlement		B	
	Indigenous Peoples		C	
Country	Kyrgyz Republic		Approved (\$ million)	Actual (\$ million)
ADB Financing (\$ million)	ADF: 51.50	Total Project Costs	110.00	98.95
	OCR:48.50	Loan/Grant		
		Loan 2668 (SDR)	48.50 (32.06)	46.75 (31.49)
		Grant 0217	51.50	51.50
		Borrower	10.0	0.70
		Beneficiaries	0.00	0.00
		Others	0.00	0.00
Cofinancier		Total Cofinancing	0.00	0.00
Approval Date	23 Sep 2010	Effectiveness Date	26 Nov 2010	14 Feb 2011
Signing Date	27 Sep 2010	Closing Date		
		Loan 2668 Grant 0217	31 Mar 2014 31 Mar 2014	23 Nov 2016 26 Sep 2016
Project Officers	V. Padmanabhan M. Davila H. Zhang	Location ADB headquarters Kyrgyz Resident Mission ADB headquarters	From Jan 2011 Feb 2013 Jul 2015	To Oct 2012 Jul 2015 Nov 2016
IED Review Director	W. Kolkma, IETC A. Perdana, Evaluation Specialist, IETC*			
Team Leader				

ADB = Asian Development Bank, ADF = Asian Development Fund, IED = Independent Evaluation Department, IETC = Thematic and Country Division, OCR = ordinary capital resources, PCR = project completion report, SDR = special drawing right.

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I. PROJECT DESCRIPTION

A. Rationale

1. In April 2010, the Kyrgyz Republic experienced political disturbances that resulted in many deaths and injuries, property damage, and a change in government. In June 2010, community violence caused greater casualties, internal displacement, and physical damage and losses.¹ The number of households living below the poverty threshold was estimated at 32% in 2009. There

¹ ADB. 2017. *Completion Report: Emergency Assistance for Recovery and Reconstruction in the Kyrgyz Republic*. Manila.

was an urgent need for fiscal support, to help the government implement its countercyclical fiscal stimulus to (i) fuel economic growth, (ii) provide shelter (before the onset of winter), and (iii) ensure food security and restore livelihoods.²

2. In early 2010, development partners,³ in a Joint Economic Assessment, determined that the aggregate financing requirement of the emergency assistance until the end of 2012 was at \$1 billion, with \$671 million needed for 2010 alone. The budget-financing gap was \$335 million. A significant funding to reconstruct damaged houses was required in areas that had been identified for emergency assistance and to strengthen the delivery of basic infrastructure services. The Emergency Assistance for Recovery and Reconstruction (EARR) consisted of a loan and a grant from the Asian Development Bank's (ADB) Special Funds resources to support economic recovery and the reconstruction and improvement of social and urban infrastructure in affected areas in the provinces of Osh and Jalal-Abad, and the cities of Osh and Jalal-Abad following the conflicts in April and June 2010.⁴

B. Expected Impacts, Outcomes, and Outputs

3. The expected impact of the EARR as stated in the approved design and monitoring framework (DMF) was economic recovery and social reconciliation. The intended outcome was critical social and public infrastructure assets rebuilt and essential public expenditures maintained in areas affected by the emergency.

4. The following were the three expected outputs in the initial DMF:

- (i) **Output 1:** Uninterrupted provision of education, health, social assistance, transport, and urban services.
- (ii) **Output 2:** Damaged houses repaired and/or reconstructed.
- (iii) **Output 3:** Critical community and public infrastructure rehabilitated and reconstructed.⁵

5. The project objectives and outputs were envisaged under the following four components:

- (i) **Component 1:** Provision of fiscal resources to ensure uninterrupted provision of health, social assistance, transport, and urban services.
- (ii) **Component 2:** Repair and/or reconstruction of damaged houses with a self-help program.
- (iii) **Component 3:** This consisted of two subcomponents—3A for the improvement of public infrastructure, including water supply and sanitation (WSS) in the cities of Osh and Jalal-Abad; and 3B for the improvement of community infrastructure in the provinces of Osh and Jalal-Abad.
- (iv) **Component 4:** Provision of (a) consulting services (including audits and project management and design and supervision consultants), (b) equipment, and (c) environmental and social safeguards-related mitigating measures to assist in implementing components 2 and 3. Component 4 was not included in the DMF.

² ADB. 2010. *Report and Recommendation of the President to the Board of Directors: Proposed Loan and Grant to the Kyrgyz Republic for Emergency Assistance for Recovery and Reconstruction*. Manila.

³ These included ADB, International Monetary Fund, and the World Bank, which jointly led the Joint Economic Assessment Mission with the participation of the European Bank for Reconstruction and Development (EBRD), Eurasian Development Bank, European Union, International Finance Corporation, Swiss Cooperation Office, United Nations Development Programme, and United States Agency for International Development.

⁴ ADB. 2010. *Financing Agreement (Special Operations): Emergency Assistance for Recovery and Reconstruction with Kyrgyz Republic*. Manila. (Schedule 1).

⁵ The initial DMF showed the intention to rehabilitate at least 5 schools, 2 health clinics, and 1 cultural center. This was deleted after the June 2015 Review Mission, which recommended the cancelation of part of Output 3.

C. Provision of Inputs

6. At appraisal, the project costs were estimated at \$110 million. A concessional ordinary capital resources loan at \$48.5 million (SDR32.1 million) and a grant of \$51.5 million were extended to the Government of the Kyrgyz Republic in September 2010. The loan proceeds were allocated for fiscal support, civil works, and consulting services; the grant proceeds were for fiscal support and housing reconstruction.⁶ In early 2011, the government exempted these components from import duties and direct taxes, except for consulting services, which reduced government financing for EARR from 9.1% at appraisal to less than 0.7% (\$0.7 million) at completion.

7. The project was approved in September 2010 and became effective some 2.5 months later than specified at approval. The actual closing date for the loan was delayed by 8 months and the grant by 6 months. The loan had an undisbursed amount of SDR566,007 due to cancellations of work in WSS systems, consulting services, and planned compensation. The grant was fully disbursed. The actual total cost of the project at completion was \$99 million, about 10% lower than planned.

8. The EARR was classified as category C for involuntary resettlement and indigenous peoples and category B for environmental impacts in the report and recommendation of the President (RRP). While recognizing that the ethnic groups in the Kyrgyz Republic did not fit ADB's definition of indigenous peoples, the EARR was to exercise due diligence to ensure that its benefits are equitable to all affected groups. The involuntary resettlement classification was subsequently changed to category B following the January–February 2013 Review Mission as some of the envisaged improvements would involve involuntary resettlement.

9. An international project management consultant (PMC) was appointed in April 2011 to deliver 74 person-months of international and 149.9 person-months of national consultancies.⁷ Its contract was terminated in September 2011 as it was unable to perform the tasks. A replacement local firm was assigned in November 2011 and its contract had 13 contract variations, including an extension of the contract duration from 24 months to 55 months, due to the extended implementation period for component 3. The final cost of the PMC was \$2.2 million compared to \$1.25 million at the November 2011 contract signing. Another international company was assigned in May 2012 as the design and supervision consultant. The cost at completion was \$3.9 million, against \$2.3 million at appraisal. In addition, eight individual national consultants were engaged for 77.6 person-months through 10 contracts, with the procurement and safeguards specialist engaged twice. An audit firm conducted five annual audits of the project financial statements instead of the three planned audits due to the longer project implementation.

D. Implementation Arrangements

10. Implementation arrangements envisaged at the time of the RRP were essentially followed. The Ministry of Finance, as the executing agency, provided overall supervision of the EARR implementation and was the implementing agency for component 1. The State Directorate for Reconstruction and Development of Osh and Jalal-Abad was the implementing agency for the other components until its closure in 2013. Its role was taken over by the State Agency for Architecture, Construction, and Communal Services (SAACCS).

11. The financing agreement also specified three international nongovernment organizations (NGOs): the Agency for Technical Cooperation and Development, the Danish Refugee Council,

⁶ Footnote 4.

⁷ Crown Agents was the consulting firm and is based in the United Kingdom.

and Save the Children—all involved in the early activities in 2010—as implementing partners to carry out component 2's related work. Save the Children withdrew as an implementing partner and the financing agreement was amended in 2011. The Agency for Technical Cooperation and Development, and the Danish Refugee Council completed their obligations essentially within budget even though both contracts were extended by 5.5 months and 11.5 months, respectively.

12. All applicable environmental (safeguards), financial, and other covenants were complied with. All but one of the applicable social covenants were complied with. The covenant to improve community infrastructure was not complied with because the community infrastructure was improved through other sources due to financing constraints.

13. Major risks, as listed below, were to be mitigated by the project. The project completion report (PCR) did not clearly indicate whether some of these were precisely carried out with planned details but this validation expects they were.

- (i) Renewed community tension—to be mitigated by EARR's first three components, which benefit the entire population.
- (ii) Structural damage to houses and infrastructure due to seismic activity—to be mitigated by ensuring that all designs and construction of houses meet acceptable structural and geotechnical standards, and with the PMC providing quality assurance on technical aspects.
- (iii) Lack of institutional capacity and experience in housing—to be mitigated by partnering with experienced development partners and international NGOs.
- (iv) Systemic banking risks are aggravated, thus, requiring additional fiscal support—to be mitigated by the International Monetary Fund and European Bank for Reconstruction and Development (EBRD) through advisory services to the National Bank of Kazakhstan.

14. The Risk Assessment and Management Plan in the RRP listed five additional high and three medium risks with an overall risk assessment of high before mitigation. The overall risk was reduced to medium after mitigation. However, corruption was not included as a risk even though it was likely to be high as contracts for services and materials in emergency assistance situations must be entered into quickly without time for proper scrutiny checks.

II. EVALUATION OF PERFORMANCE AND RATINGS

A. Relevance of Design and Formulation

15. The PCR described the importance of EARR and its high relevance in restoring the country's immediate fiscal capacity, rebuilding damaged houses, and improving essential public infrastructure. There was an urgent need for fiscal support for critical recurrent public expenditures and housing reconstruction following the conflict, and the project design satisfied the need for immediate assistance. The PCR assessed the project highly relevant.

16. One of the four pillars of relevant Country Development Strategy was growth-oriented economic development.⁸ One of the four focal areas of the Joint Country Support Strategy developed by the partners was building sustainable human and social capital through access to health, education, and social protection.⁹ The project, therefore, is relevant to both strategies.

⁸ IMF. 2007. *Kyrgyz Republic: Poverty Reduction Strategy Paper—Country Development Strategy (2007–2010)*. Washington D.C.

⁹ ADB. 2007. *Joint Country Support Strategy: Kyrgyz Republic (2007–2010)*. Manila.

17. This validation acknowledges that the emergency loan was requested by the government, based on an urgent need to reconstruct houses damaged during the conflict. It was also aligned with the country and development partners' strategies. The WSS infrastructure was not directly damaged during the disturbances; however, the component was delivered to complement community rebuilding efforts and to prevent renewed tension during the reconstruction process. This validation considers this as an innovative approach to deliver an emergency reconstruction. Given the reasons above, this validation assesses the project highly relevant.

B. Effectiveness in Achieving Project Outcomes and Outputs

18. The PCR rated the project effective. It reported that EARR's first outcome was achieved. The actual primary budget deficit in 2010 of 4.8% of gross domestic product (GDP) was lower than the targeted 12.6%. The PCR did not report whether the second outcome—the number of homeless and internally displaced people declined from 13,500 in 2010 to zero—has been achieved. The lack of reliable post-conflict data made it difficult to report the progress of the target. However, this validation notes that the Internal Displacement Monitoring Center of the Norwegian Refugee Council reported that by 2013, the number of internally displaced person in the Kyrgyz Republic has been reduced to zero.¹⁰ Furthermore, the PCR reported that only 19 of the 1,700 houses that were built or repaired have yet to be transferred due to problems in identifying the rightful owners (PCR, para. 19). Given these information, therefore, this validation infers that the problem of displaced people who remained homeless has been largely resolved.

19. The output targets were largely met. Of the six performance targets for output 1,¹¹ four were achieved, as indicated by the increased expenditure in emergency assistance-related activities. Two indicators for output 1 were not reported. These are the (i) expenditures for maternal and reproductive health, and (ii) whether sex-disaggregated data on beneficiaries of monthly social benefit was collected in 2010. Most targets in the other two outputs (components 2 and 3A) were achieved although these were achieved with support from a development partner (Table 1). Component 3B—community infrastructure—was canceled in 2015 because the government had done the planned work with other donor's support and a replacement project did not proceed because of EARR's financial shortfall. The PCR explained that the \$7 million budget planned for component 3B was reallocated to component 3A. Most of the reallocated budget was used for constructing or replacing the 32.6 kilometers of water and sewerage pipelines, far more than the target of 10 kilometers.

Table 1. EARR Output Targets and Achievements

Outcomes/Outputs	No. of Performance Targets	No. of Targets Achieved as Reported by PCR	IED Remarks
<i>Outcome:</i> Critical social and public infrastructure assets rebuilt, and essential public expenditures	2	1	The PCR only reported the first performance target achievement.

¹⁰ IDMC-NRC. 2014. *Global Overview: 2014: People Internally Displaced by Conflict and Violence*. Geneva.

¹¹ The six indicators of output 1 were (i) increased budget on social expenditures, (ii) salaries of teachers maintained and paid monthly, (iii) health expenditures for maternal and reproductive health are at least as high as the 2008 level, (iv) the number of social assistance program beneficiaries is not lower than April 2010 levels, (v) sex-disaggregated data on beneficiaries of monthly benefit and monthly social benefits collected for 2010, and (vi) more roads maintained by the end of 2010.

Outcomes/Outputs	No. of Performance Targets	No. of Targets Achieved as Reported by PCR	IED Remarks
maintained in areas affected by the emergency			The second performance target was substantially achieved per IDMC-NRC report (2014).
<i>Output 1.</i> Uninterrupted provision of education, health, social assistance, transport, and urban services	6	4	The PCR DMF reported increased expenditures in EARR-supported items. ^a The PCR did not report if (i) the expenditure for maternal and reproductive health was maintained, and (ii) sex-disaggregated data on beneficiaries of monthly social benefits were collected in 2010.
<i>Output 2.</i> Damaged houses repaired and/or reconstructed	1	1	There was no target date in the DMF but by mid-July 2012, 1,533 houses had been rebuilt and 96 houses repaired with living areas of 77,242 square meters.
<i>Output 3.</i> Critical community and public infrastructure rehabilitated and reconstructed	5 ^b	4	The target of rehabilitating water intake structures was met. Transmission pipelines reconstructed was more than target. The construction of sanitation units was achieved by STC and but not by EARR during the emergency construction phase in 2010. The training of women's groups on hygiene and sanitation was either integrated into an EBRD project or carried out as part of the EARR project in 2016.

DMF = design and monitoring framework, EARR = Emergency Assistance for Recovery and Reconstruction, EBRD = European Bank for Reconstruction and Development, IDMC-NRC = Internal Displacement Monitoring Centre-Norwegian Refugee Council, IED = Independent Evaluation Department, No. = number, PCR = project completion report, STC = Save the Children.

Notes:

^a The target for state transfers to the district heating company was not met. Actual amount achieved was Som0.74 billion compared to the target of Som1.13 billion (PCR, Appendix 3).

^b Five targets were shown in the RRP but on cancellation of component 3B, one target is no longer relevant.

Source: ADB. 2017. *Completion Report: Emergency Assistance for Recovery and Reconstruction in the Kyrgyz Republic*. Manila.

20. Following the reclassification of EARR from category C to B on involuntary resettlement, the three subprojects under components 2 and 3A had resettlement plans prepared for each. The PCR noted that all three resettlement plans were approved by both the government and ADB and compensation was paid to all identified affected persons. The EARR was also classified as category B for environment and category C for indigenous peoples.

21. The gender action plan, designed to address the specific vulnerabilities of women and help them benefit from the project activities, had three objectives, as follows: (i) protection of social expenditures relevant to female beneficiaries, (ii) women and female social heads of affected families to receive adequate support, and (iii) water and sanitation improvements to be undertaken supported by behavioral change campaigns. Except for the target on expenditures for

maternal and reproductive health—which could not be confirmed—all targets in the gender action plan were achieved, which contributed to the successful implementation of project outcomes.

22. Based on the information provided, this validation considers that most expected outputs and outcomes were achieved and assesses the EARR effective.

C. Efficiency of Resource Use

23. The PCR rated the project efficient and noted that components 1 and 2 were implemented within the project time frame and utilized the funds according to the original scope. All issues under component 2 were resolved within a reasonable time frame. Component 3A was implemented in an efficient manner and the PCR calculated that the EIRR averaged 19.4%.

24. This validation notes that EARR was appraised and processed in a timely manner. The planned closing date for both the grant and the loan was 31 March 2014 but actual closing dates were over 30 months later than planned. This validation considers the project less than efficient due to the following:

- (i) The actual project completion date was 33 months later than intended, with three extensions to the closing dates.
- (ii) The contract with the original PMC was terminated due to its inability to perform required tasks and the overall performance of the design and supervision consultant was only partly satisfactory.
- (iii) There was a shortage of skilled labor for component 2, despite this being identified as a high risk in the RRP, which was to be mitigated by ADB partnering with experienced development partners and international NGOs in housing reconstruction.
- (iv) Several problems in implementing component 3A occurred, including (i) significant delays in the awarding of the contract as design and preparation of bidding documents started some 16 months behind schedule, (ii) capacity constraints in the local authorities to support the design process, (iii) contract implementation delays as the contractor is unable to find acceptable local contractors, and (iv) delays in the supply of goods.
- (v) Maintenance equipment for component 3A was not delivered until the second quarter of 2014 because of three failed biddings.
- (vi) Work done on a pilot project to improve school sanitation facilities (to replace the original planned component 3B activity) was shelved due to the high bid prices on the component 3A contracts, and the limited EARR financial resources.

D. Preliminary Assessment of Sustainability

25. The PCR reported that the roads in Osh, Jalal-Abad, and Bazar-Korgon were in good condition, showing that the government had been effectively using the fiscal support to maintain services (component 1). The likelihood is high that the occupants will maintain the new and repaired houses under component 2. For component 3A, the sustainability of the investment in the urban WSS sector should be seen in the context of the financial health of the three *vodokanals* where cost recovery was reportedly just meeting operating costs and the *vodokanals* increasing their collection rate up to 90% in 2016.¹² Therefore, according to the PCR, the project outcomes in the future is likely sustainable.

¹² *Vodokanal* is the municipality responsible for managing water supplies and wastewater disposal.

26. This validation considers that of the three components, the one most likely to be sustainable is component 2 for the same reasons as stated in the PCR. Although the PCR indicated that the state of roads has improved, there is no indication that component 1 performance indicators have been met. The completion of the main outputs for the WSS means that component 3 is likely to be sustainable since other external aid providers, such as the EBRD, continues to provide assistance.¹³ In addition, the National Sustainable Development Strategy for the Kyrgyz Republic, 2013–2017 listed a series of intentions to reduce public debt, combat corruption, and improve transparency and governance—all positive signs that the achievements under EARR will be sustained. Therefore, EARR is likely to be sustainable.

III. OTHER PERFORMANCE ASSESSMENTS

A. Preliminary Assessment of Development Impact

27. The PCR rated the impact of the project investments satisfactory. The objective had mostly been achieved, and as foreseen at appraisal, the WSS facilities will continue to provide a positive impact to the public health of the community.

28. This validation assesses the development impact satisfactory. There had been economic recovery as evidenced by the annual GDP growth rate increase from –3.5% in 2010 to a high of 10% in 2013 and 1.4% in 2015. However, the country has ongoing economic problems. The World Bank Group data shows that the annual GDP growth rate in 2016 was 3.9%, rising to 4% in 2018¹⁴—which is consistent with ADB’s 2018 growth forecast¹⁵—but there is a large deficit that is being financed through external borrowing. No episodes of community tensions had occurred since 2010, an indication that the impact on social reconciliation has improved.

B. Performance of the Borrower and Executing Agency

29. The PCR rated the performance of the borrower and the executing agency satisfactory despite several issues including (i) the indecisiveness of the Ministry of Finance in providing building permits for 200 houses that did comply with regulations, (ii) the reduction in the level of counterpart funding from 1% to 0.7% of the total project costs, and (iii) the poor contribution from SAACCS when it took over the project. The implementing partners for component 2 were actively engaged.

30. This validation considers the performance of the borrower less than satisfactory. There were a number of government-caused delays, such as (i) in approving building permits, (ii) failure to advise ADB early in the development of the project that work on component 3B had been completed by another provider, and (iii) difficulties when the implementing agency change from State Directorate for Reconstruction and Development to SAACCS—an organization that failed to get involved and take ownership of the project in the middle of project implementation.

¹³ European Bank for Reconstruction and Development. 2015. *Strategy for Kyrgyz Republic*. London. The document included a strategy to address the inefficient operation of water and wastewater services.

¹⁴ The 2014 and 2015 annual GDP growth figures shown in the PCR DMF (3.6% and 1.4%) vary from those of the World Bank (4.0% and 3.9%). See the World Bank’s GDP growth for the Kyrgyz Republic. <https://data.worldbank.org/indicator/NY.GDP.MKTP.KD.ZG?locations=KG>

¹⁵ ADB. 2018. Kyrgyz Republic: Economy. <https://www.adb.org/countries/kyrgyz-republic/economy>

C. Performance of the Asian Development Bank and Cofinanciers

31. The PCR rated the performance of ADB satisfactory. It carried out 13 review missions including five in the first 15 months and provided international consultants for project management, procurement, and the handling of asbestos removal issues. It tried to be flexible in resolving project implementation issues and was forceful in its dealing with the Ministry of Finance when resolving housing reconstruction permit issues and other implementation delays. Given the above, this validation considers the performance of ADB satisfactory.

D. Others

32. The PCR rated the performance of the implementing partners more than satisfactory, the overall performance of the second PMC satisfactory, and the design and supervision consultant and associated firm as only partly satisfactory. Individual consultants in the areas, on procurement and social safeguards, performed satisfactorily. Five audits were conducted, and all were accepted by ADB. The performance of the audit firm was considered satisfactory and all five audit reports were accepted by ADB.

IV. OVERALL ASSESSMENT, LESSONS, AND RECOMMENDATIONS

A. Overall Assessment and Ratings

33. The PCR rated the project overall successful as it was mainly implemented as conceived except for parts of components 3A and 3B (Table 2). This validation assesses the project successful. EARR design and formulation were highly relevant as they satisfied the need for immediate assistance, and combined with the WSS project under component 3, it was an innovative approach to complement community rebuilding and to prevent renewed tension during the reconstruction process (para. 17). EARR was effective as the key outcome and some of the output performance targets were largely met (paras. 18–19). The project was less than efficient due to several serious problems, including delays in implementation, poor performance by contractors, shortage of skilled labor, and inefficient equipment procurement processes (para. 24). It is likely sustainable as housing repair and reconstruction are likely to be sustainable, while international aid continues to support economic recovery and the government intends to continue the reform (para. 26).

Table 2. Overall Ratings

Validation Criteria	PCR	IED Review	Reason for Disagreement and/or Comments
Relevance	Highly relevant	Highly relevant	
Effectiveness	Effective	Effective	
Efficiency	Efficient	Less than efficient	There were delays in implementation, poor performance by contractors, shortage of skilled labor, and inefficient equipment procurement processes (para. 24).
Sustainability	Likely sustainable	Likely sustainable	
Overall Assessment	Successful	Successful	

Validation Criteria	PCR	IED Review	Reason for Disagreement and/or Comments
Preliminary assessment of impact	Satisfactory	Satisfactory	
Borrower and executing agency	Satisfactory	Less than satisfactory	Government caused delays in approving building permits, did not advise the ADB that work on component 3B had already been completed, and difficulties encountered when the implementing agency was changed (para. 30).
Performance of ADB	Satisfactory	Satisfactory	
Quality of PCR		Satisfactory	Paras. 38–39.

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

Source: Independent Evaluation Department.

B. Lessons

34. Based on the PCR, the major lessons from the project were (i) that an emergency assistance project should not be jeopardized by shortening an essential engineering investigation to develop a major urban water supply source, (ii) the need to determine the government's budgeting and accounting system during project design so that target indicators are aligned with the kind of data being generated by the system, and (iii) the equipment procurement should have been made simpler with fewer variables and similar equipment.

35. This validation identified the following additional lessons:

(i) **Project-Level Lessons**

- (a) Risks of combining emergency assistance projects with the more standard assistance packages. Providing fiscal resources was clearly urgent to ensure uninterrupted service and to reconstruct houses after the political disturbances. However, providing funds for undamaged but old water supply and sanitation systems was not as urgent and should have been completed as a separate project.
- (b) Communication between ADB and the government needs to be strengthened. Despite fielding 13 missions, ADB failed to learn of the government's efforts to undertake component 3B, indicating a possible lack of communication, which needs to be improved.

- (ii) **Results Framework and Methodology-Level Lesson.** Using performance indicators to assess project performance. Performance indicators (in addition to financial disbursements) should be reported throughout implementation to determine whether the project is on track to meet its intended outputs and outcomes.

C. Recommendations for Follow-Up

(iii) The PCR provided four project-related recommendations for either ADB or the government or for both. Two general recommendations were on (i) the need for more time to prepare and implement the conventional aspects of projects, and (ii) the government's need to build up the capacity of SAACCS to become a strong implementing agency for WSS projects and

act as a competent technical authority on WSS in the country. This validation agrees with these recommendations except that on increasing revenue by a water-metering rate of 100%. This may need careful consideration as it may cause hardship to the most vulnerable people in a country where 32% of the population lived below the poverty line.¹⁶

V. OTHER CONSIDERATIONS AND FOLLOW-UP

A. Monitoring and Reporting

(iv) ADB worked closely with the government in designing and implementing EARR. A good number of review missions were carried out throughout the project's implementation and there is evidence of their efforts to advance the project when work was slowing down or had stopped. To illustrate, in April 2011, the review mission agreed to expedite changes to the financing agreement, which needed to be amended to include additional design work for component 2. In February 2012, the mission agreed to extend the contracts for the implementing partners as there were delays caused by the weather and by approvals and clearances coming from the local and central governments. The missions during September to December 2013 and February to April 2014 viewed that SAACCS should not become the executing agency until project performance and capacity had improved. The missions also noted that procurement for component 3A was delayed due to problems with preparation and design. The mission in June 2015 reminded the PMC to monitor project performance using the targets, indicators, and assumptions and risks in the DMF.

B. Comments on Project Completion Report Quality

(v) The PCR covered some information in more detail than was required under the PCR guidelines, with 18 appendices. It also provided a comprehensive description of the project's needs and implementation work, the difficulties faced in contract and procurement processes, and the lack of agency commitment to the elements of the project.

(vi) Some key information, however, were missing. As this validation indicated in paras. 18 and 19, the PCR did not report the achievements of the second outcome indicator and two of the output indicators. Despite these shortcomings, this validation views the PCR quality satisfactory.

C. Data Sources for Validation

(vii) Data sources for this validation were the PCR, the RRP, project safeguard assessment, back-to-office reports and aide memoires relating to the loan review missions, ADB and World Bank reports on the Kyrgyz Republic, the Kyrgyz Republic's National Sustainable Strategy 2013–2017, and EBRD's strategy for its activities in the Kyrgyz Republic from 2015 to 2019.

D. Recommendation for Independent Evaluation Department Follow-Up

(viii) This validation does not recommend further IED follow-up.

¹⁶ ADB. 2017. *Basic Statistics, 2017*. Manila.