

Validation Report
July 2019

Kazakhstan: CAREC Corridor 3 (Shymkent–Tashkent Section) Road Improvement Project

Reference Number: PVR-614
Project Number: 46145-001
Loan Number: 2916

Independent
Evaluation 

Raising development impact through evaluation

ABBREVIATIONS

ADB	–	Asian Development Bank
CAREC	–	Central Asia Regional Economic Cooperation
COR	–	Committee on Roads
CSC	–	construction supervision consultant
DMF	–	design and monitoring framework
EBRD	–	European Bank for Reconstruction and Development
EIRR	–	economic internal rate of return
km	–	kilometer
kph	–	kilometer per hour
MID	–	Ministry of Investments and Development
MOF	–	Ministry of Finance
O&M	–	operation and maintenance
PCR	–	project completion report
PMU	–	project management unit
PPMS	–	project performance management system
vpd	–	vehicles per day

NOTE

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

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PROJECT BASIC DATA

Project Number	46145-001	PCR Circulation Date	14 August 2018	
Loan Number	2916	PCR Validation Date	Jul 2019	
Program Name	CAREC Corridor 3 (Shymkent–Tashkent Section) Road Improvement Project			
Sector and Subsector	Transport	Road transport (nonurban)		
Strategic Agenda	Inclusive economic growth Regional integration			
Safeguard Categories	Environment	B		
	Involuntary Resettlement	C		
	Indigenous Peoples	C		
Country	Republic of Kazakhstan	Approved (\$ million)	Actual (\$ million)	
ADB Financing (\$ million)	ADF: 0.00	Total Project Costs	371.20	218.61
	OCR: 125.00	Loan	125.00	80.68
		Borrower	49.70	15.93
		Beneficiaries	0.00	0.00
		Others	0.00	0.00
Cofinancier	EBRD	Total Cofinancing	196.50	122.00
Approval Date	5 Oct 2012	Effectiveness Date	26 Aug 2013	27 Nov 2013
Signing Date	28 May 2013	Closing Date	30 Jun 2016	31 Oct 2016
Project Officers		Location	From	To
	S. Mitra	Pakistan Resident Mission	Oct 2012	Dec 2012
	Z. Wu	Pakistan Resident Mission	Mar 2014	Apr 2014
	A. Galiev	ADB headquarters	Jan 2014	Mar 2016
	M. Capulong	ADB headquarters	Mar 2016	Dec 2016
	S. Lim	ADB headquarters	Jan 2017	Jun 2018
O. Samukhin	ADB headquarters	Jun 2018	Aug 2018	
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ADB = Asian Development Bank, ADF = Asian Development Fund, EBRD = European Bank for Reconstruction and Development, IED = Independent Evaluation Department, IESP = Sector and Project Division, OCR = ordinary capital resources, PCR = project completion report.

*Team members: H. Hettige (Quality Reviewer), F. De Guzman (Senior Evaluation Officer), and J. Supangco and F. Fragano (Consultants).

I. PROJECT DESCRIPTION

A. Rationale

1. Kazakhstan's geographic location and economic structure led to country's economy freight intensive affecting its trade competitiveness. It has about 93,600 kilometers (km) of roads, 25% of which are considered republican (national and international) and the rest are rural and urban.¹ Road freight traffic increased in recent years, accounting for 25% of the country's freight traffic by ton-km, and 85% of its passenger traffic by passenger-km in 2009. A major percentage

¹ Kazakhstan has three road networks, each under the responsibility of different levels of government and their respective road organizations: (i) the republican roads are under the responsibility of the Ministry of Transport and Communications (MOTC) and managed by the Committee of Roads, (ii) local or rural roads are under oblasts or provincial governments, and (iii) urban roads are under municipality or city authorities. (ADB. 2012. *Country Partnership Strategy: Kazakhstan 2012–2016*. Manila.)

of the republican roads are in a poor state of repair with about 50% requiring rehabilitation. Cross-border impediments and deteriorated road infrastructure are serious obstacles to trade flows.²

2. Since 2009, Kazakhstan experienced strong economic growth with the (i) substantial increase in oil production, (ii) prevailing high commodity prices of its exports, and (iii) influx of direct foreign investments as growth drivers. This positive macroeconomic development has concealed the growing inequalities—with Southern Kazakhstan provinces not benefiting from the favorable development. Due to limited good roads and insufficient public transport services, the majority of the population experienced difficulty in reaching the province’s administrative centers, markets, and social services. The Shymkent–Tashkent road section is within the Central Asia Regional Economic Cooperation (CAREC) Corridor 3, one of the six priority transport corridors being developed under the CAREC Transport and Trade Facilitation Strategy (2007).³ This road starts from the Shymkent City bypass, extends toward the Uzbekistan border, and connects with the CAREC Corridor 1, which links Western Europe with the People’s Republic of China. It is an important conduit for both regional and international traffic. The project aimed to rehabilitate a 37 km road, which is a main artery in South Kazakhstan. It is expected to address the following: (i) the below average economic and social performance of South Kazakhstan; (ii) the regional significance of the road at the junction of two CAREC corridors; and (iii) the dilapidated condition of the road, which impedes the economic development of South Kazakhstan and the regional economic cooperation with Uzbekistan and other Central Asian countries.⁴ In parallel with the Asian Development Bank (ADB) financing, the European Bank for Reconstruction and Development (EBRD) is financing the rehabilitation of the remaining 62 km of the Shymkent–Tashkent road section, including the provision of institutional development assistance.

B. Expected Impacts, Outcomes, and Outputs

3. The envisaged impact of the project was closer regional cooperation and increased trade along CAREC Corridor 3. The expected outcome was an efficient transport network in the South Kazakhstan section of CAREC Corridor 3. The expected output was a rehabilitated Km 705 to Km 742 road section, which starts from Shymkent moving toward Tashkent.

C. Provision of Inputs

4. At appraisal, the estimated total project cost was \$371.2 million equivalent, inclusive of taxes and duties. Of this amount, the Government of Kazakhstan requested for a loan of \$125.0 million from ADB to rehabilitate the road section from Km 705 to Km 742; and another loan of \$196.5 million from the EBRD to rehabilitate the remaining 62 km—from Km 742 to Km 804 of the Shymkent–Tashkent road—and for institutional development support. The government will fund the remaining \$49.7 million of project cost. ADB was not involved in the implementation of the EBRD project. There was no attached technical assistance to the project.

5. The ADB loan was approved in October 2012 and became effective in November 2013, which is 3 months later than the loan effectiveness date in the loan agreement. ADB approved

² ADB.2012. *Report and Recommendation of the President to the Board of Directors: Proposed Loan to the Republic of Kazakhstan for the CAREC Corridor 3 (Shymkent–Tashkent Section) Road Improvement Project*. Manila. This road serves as the link between Western Europe and the Western People’s Republic of China International Transit Corridor.

³ Central Asia Regional Economic Cooperation (CAREC). 2007. *CAREC Transport and Trade Facilitation Strategy*. Sixth Ministerial Conference on CAREC held on 3 November 2007 at Dushanbe, Tajikistan.

⁴ ADB.2018. *Completion Report: CAREC Corridor 3 (Shymkent–Tashkent Section) Road Improvement Project in Kazakhstan*. Manila.

one extension of the loan effectiveness date as the project's executing agency experienced delays in procurement of both the construction supervision consultant (CSC) and the civil works contractor. The delay was due to the executing agency's request for major clause changes to clauses (such as the penalty clause) in the standard bidding documents being used for the project, however, these were not accommodated. ADB and the executing agency agreed to revise the contract award and disbursement projections as the loan was not yet effective.

6. The actual project completion was in September 2016 or 9 months later than expected. This delay was caused by the following: (i) slow mobilization of personnel and equipment at the site by the contractor; (ii) significant change in the scope of work at the Kazygurt Pass, and the need to construct three additional underpasses in response to local requests; (iii) restricted access to a section of the project road by the owner of the gas pipeline that crosses that section; and (iv) nonpayment by the government of the civil works contractor due to the devaluation of the tenge (KZT) in 2015 when the cumulative payables under the contract in KZT-equivalent exceeded the government's 2015 budget allocation for the project. The claims for extension by the civil works contractor were accepted by the Committee on Roads (COR). As per the project completion report (PCR), the loan was financially closed with no extension in October 2016.⁵

7. At completion, the total project cost of the ADB section was \$80.7 million net of taxes and duties comprising \$78.0 million for civil works and \$2.7 million for consulting services. Government financing was \$15.9 million for taxes and duties for both the ADB and EBRD projects. During implementation, the government proposed partial loan cancellations of \$40.0 million in July 2014 and \$4.3 million in July 2016, reducing the ADB loan to \$80.7 million (PCR, para. 15). At appraisal, it was planned that 47 international and 175 national person-months will be required for CSC and an additional three person-months of national consultant for external safeguards monitoring. The PCR did not mention the actual number of consultants mobilized. The actual cost of CSC was \$2.7 million, which was less than the \$3.5 million originally allocated.

8. The safeguards categorization was B for environment, C for involuntary resettlement, and C for indigenous peoples. On the environment, only an initial environmental examination was disclosed in June 2012. Major potential environmental impacts identified were expected to occur mainly during construction, including (i) air and water pollution, (ii) noise impacts, (iii) soil erosion, (iv) generation of construction and domestic wastes, (v) occupational health and safety, (vi) cutting of trees, and (vii) disruptions and utilities relocation. Adequate mitigation measures were recommended. It was confirmed that the civil works will not result in any land acquisition or resettlement impacts as all works were to be undertaken within the existing road's right-of-way and no structures were located within the corridor of impact. The project had no impact on indigenous peoples within the meaning of ADB's Safeguard Policy Statement.

D. Implementation Arrangements

9. As envisaged, the Ministry of Transport and Communications was initially the executing agency, while COR was the implementing agency. Due to a government reorganization in August 2014, the Ministry of Investments and Development (MID)—a new ministry—absorbed the functions of the Ministry of Transport and Communications. Under the revised setup, COR remained as the implementing agency under MID. Within COR, a project management unit (PMU) was created to manage the project, assisted by the CSC as the PMU only had a few experienced staff. In addition, COR's South Kazakhstan Oblast Branch—

⁵ Civil works contracts were substantially completed and the CSC contract was completed at loan closure (30 June 2016). The government portion of the civil works was substantially completed at project completion (26 September 2016), the undisbursed balance was canceled, and the loan account was financially closed on 31 October 2016 (PCR, Appendix 7).

the *Ontustykhollaboratory* (South Kazakhstan Road Laboratory)—managed the project on a daily basis. The CSC worked closely with the South Kazakhstan COR in implementing and monitoring the project. Based on the reports, there was good coordination between COR and the ADB review missions. All 23 loan covenants were complied with. The project's compliance with the safeguard policies of ADB was done as part of the existing transport multitranchise financing facility loan to Kazakhstan.⁶

II. EVALUATION OF PERFORMANCE AND RATINGS

A. Relevance of Design and Formulation

10. The PCR rated the project highly relevant. It noted that the project was aligned with (i) the national development strategies, (ii) ADB's Country Partnership Strategy for 2012–2016 and 2017–2021,⁷ and (iii) the CAREC Transport and Trade Facilitation Strategy (para. 2). The project is also aligned with other road projects along CAREC Corridors 1 and 3, considering its location in the junction of two CAREC corridors, which establishes better connectivity within southern and southeastern Kazakhstan; and regional connectivity with the People's Republic of China, the Russian Federation, and other Central Asian countries in the south.

11. The PCR noted that Kazakhstan had strengthened ties with all neighboring countries—including Uzbekistan—to improve direct, private, and commercial passenger transport. The PCR noted Uzbekistan's amendment of its customs regulation allowing its residents to import commercial goods purchased in Kazakhstan not exceeding \$300 without customs clearance.

12. This validation views that while this project is a pure infrastructure investment, it involved EBRD to finance the remaining section of the road and provide institutional development support. This is a good financing strategy, but the project does not demonstrate innovation and transformation effects needed to justify its highly relevant rating. In addition to average traffic volume and travel speed, improved road safety standards could have been added as one of the indicators at the outcome level—which is one of ADB's priorities under its Sustainable Transport Initiative Operational Plan, 2010.⁸ At the output level, the basis for the 7 million people to benefit from the project is unclear⁹ and the baseline for traffic volume is questionable (para. 14). Given these design shortcomings, this validation rates the project relevant.

B. Effectiveness in Achieving Project Outcomes and Outputs

13. The PCR rated the project effective. The project road rehabilitation was done to category 1 standard with an International Roughness Index of less than 3 m/km from the original 5 m/km. Vehicles using the road now travel at an average speed of 80.57 kilometers per hour (kph) from the 60 kph baseline, higher by 0.57 kph than the envisaged.

14. While the design and monitoring framework (DMF) reflected the vehicles per day (vpd) baseline of 1,000 in 2011, the PCR explained that the actual traffic data used in the appraisal are

⁶ ADB. 2010a. *Report and Recommendation of the President to the Board of Directors: Proposed Multitranchise Financing Facility to the Republic of Kazakhstan for the Central Asia Regional Economic Cooperation Corridor 2 (Mangystau Oblast Sections) Investment Program*. Manila.

⁷ ADB. 2012. *Country Partnership Strategy: Kazakhstan, 2012–2016*. Manila; ADB. 2016. *Country Partnership Strategy: Kazakhstan, 2017–2021—Promoting Economic Diversification, Inclusive Development, and Sustainable Growth*. Manila.

⁸ ADB. 2010b. *Sustainable Transport Initiative: Operational Plan*. Manila.

⁹ ADB Results Framework mentioned 200,000 people residing in Shymkent as direct beneficiaries of the project. The 2012 Report and recommendation of the President cited Appendix 2 in this link: <https://www.adb.org/sites/default/files/linked-documents/46145-001-kaz-crf.pdf>.

no longer available.¹⁰ Using the 2011 baseline of 7,462 vpd found in the PCR's economic reevaluation, the PCR noted that the traffic volume on the project road increased to 16,120 vpd. Instead of assessing the project's achievements from the actual vpd counts, this validation assesses the traffic volume in percentage increase (from 1,000 vpd in 2011 to 2,000 vpd in 2015 or 100% increase). The annual average daily traffic increased by 116% between 2011 and 2016, exceeding the envisaged traffic volume.

15. The implementation of environmental safeguards was rated satisfactory.¹¹ The initial environmental examination and environmental management plan for the project addressed most of the key risks and impacts expected at preconstruction, construction, and operational stages. Consultations were adequate and a detailed grievance mechanism was included. Specific design measures to address climate and disaster risk impacts (including seismic risk) or increased greenhouse gas (GHG) emissions from increased traffic in the corridor were not significantly considered in the initial environmental examination and in the environmental management plan.

16. Implementation of resettlement safeguards was rated satisfactory. A land acquisition and resettlement framework was prepared prior to appraisal in case of any unexpected need for land or resettlement. The project was recategorized from C to B due to lack of access by adjacent businesses caused by the road works. This should have been considered during the environmental social impact assessment process. A land acquisition and resettlement plan was prepared, the issues were eventually resolved through negotiation with the affected parties, and category C was restored.

17. No indigenous peoples were affected as indicated in the screening done during project preparation. The project was categorized as having no gender elements. Nevertheless, the project complied with its loan covenant relating to women employment (PCR, Appendix 8, p. 27). This resulted in employing between 7% and 18% female staff within the project area, up to 0.9% maximum were female sourced internationally. On health compliance, the contractor consistently provided basic awareness on the risks and prevention of sexually transmitted diseases, with emphasis on HIV/AIDS. Sessions on basic instructions on avoiding human trafficking were also provided, although not on drug trafficking. The sessions were conducted mostly by health professionals from the local hospital or the nurse that was employed by the contractor on a 24-hour call. Both contractor workers and consultants were invited to attend the sessions. This validation assesses the project effective.

C. Efficiency of Resource Use

18. The PCR rated the project efficient. The PCR recomputed the economic internal rate of return (EIRR) of the project utilizing updated data and the same methodology as at appraisal. The economic costs and benefits were recalculated by comparing the "with" and "without" project scenarios, including savings in (i) road maintenance costs, (ii) vehicle operating costs, and (iii) passenger travel time costs. Values of travel time, crew, and maintenance labor costs were taken from an earlier technical assistance project but were adjusted to 2016 prices

¹⁰ The 2015 target of 2,000 vpd no longer applies. This could be due to the "moving traffic method" used at appraisal by an enumerator travelling with the flow of the traffic and counting the vehicles encountered compared to the "manual traffic count method" where vehicles are counted from one or more fixed points, which is more accurate. The 2014 manual traffic count—conducted prior to the start of project implementation—was estimated at 15,957 vpd, while the count in March 2016 was estimated at 12,245, and in August 2016 at 17,678 vpd. The variability of traffic could be partly due to the seasonality of agriculture in the project area. Based on the 2014 and August 2016 traffic counts, the computed annual traffic growth rate is 5.3% compared to the computed annual growth rate using appraisal traffic estimates of 18.9% per year (PCR, Appendix 10).

¹¹ ADB (Independent Evaluation Department). 2019. Project Safeguard Assessment: Kazakhstan CAREC Corridor 3 (Shymkent–Tashkent Section) Road Improvement Project. 30 January (internal).

considering that wages in South Kazakhstan are 70% of the national average.¹² The resulting values of travel time were lower than those assumed at appraisal, which is \$3.50 per working hour for car passengers compared with \$4.00 at appraisal. Freight time savings were a significant source of benefits at appraisal but travel time savings of 9–16 minutes have an insignificant impact on logistics and was not considered as project benefits. The recalculated EIRR was 16.8% at completion, which was slightly higher than the appraisal estimates of 15.9%. This was due to the higher traffic growth forecasts based on recent increases in regional trade volumes. Sensitivity analysis was conducted to test the effect of changes in factor costs and benefits on project feasibility. This showed the project to be robust and retained its economic viability for all factor changes considered.

19. This validation notes that the higher recalculated EIRR may also be the effect of lower project investment costs, as the bids received for the civil works were competitive and substantially lower than estimated. At appraisal, the estimated total project cost was \$125.0 million, while at completion, the project cost had decreased to \$80.7 million, resulting in the cancellation of \$44.3 million from the loan. The almost 1-year delay in project completion (para. 9) had no significant impact as reflected in the recalculation of the project EIRR with positive net benefits beginning 2017. This validation rates the project efficient.

D. Preliminary Assessment of Sustainability

20. The PCR rated the project likely sustainable. It noted that the road was designed for an axle load of 13 tons, with most heavy cargo vehicles carrying loads of only up to 10 tons per axle. MID's Committee of Transport implemented an efficient enforcement mechanism on overloaded vehicles on Kazakhstan roads. While oversized and overweight indivisible cargo were allowed, the vehicle axle loads should not exceed the axle load design specifications to minimize the potential destruction of the road surface and lower maintenance costs.

21. This validation notes that the proposed pavement design at appraisal was cement-concrete which, at completion, placed the rehabilitated road under category 1 road standard with a 27-centimeter thick, unreinforced cement-concrete wearing and/or riding course.¹³ In Kazakhstan, concrete is a new material for roads and requires new technical expertise and special equipment for servicing. At appraisal, the rationale for the shift in pavement surface was not clear other than for easier road maintenance (report and recommendation of the President, para. 15). After completion, the road exhibited spalling defects on the cement-concrete pavement surface, which could have been caused by the variability of the concrete pouring process, the temperature conditions during the concrete pouring process, and the variability of the cement used. Other contributory factors could be the aggressive snow-removal agents used during winter maintenance operations and a constant freeze–thaw winter cycle.

22. The annual temperature in Kazakhstan ranges from –30° to +40° with frequent sudden changes in temperature, such that concrete slabs could experience intensive expansion and compression cycles, negatively impacting their service life and on maintenance cost. COR itself noted that it has no experience in maintaining this type of pavement and that existing road maintenance organizations in South Kazakhstan would require strengthening to enhance their capability in handling the new material (PCR, para. 61). The project design should have considered providing a capacity development program in cement-concrete pavement characteristics and maintenance, including references to knowledge products.

¹² ADB. 2016. *Technical Assistance to the Republic of Kazakhstan for the Preparation of Initial Economic Analysis for Performance-Based Road Maintenance Project*. Manila.

¹³ For the Kazygurt Pass, the original design was for a stone mastic asphalt pavement, but due to the change in the vertical gradient, cement-concrete pavement was used to match the remainder of the road.

23. The project completion review mission in May 2017 observed that the capacity of maintenance organizations in South Kazakhstan requires strengthening.¹⁴ The government made efforts to strengthen its institutions to operate and maintain the road section. The Joint Stock Company (JSC) KazAvtoZhol was designated as Kazakhstan's national road operator responsible for the construction and maintenance of the national highway network. It will operate and maintain the completed Shymkent–Tashkent road section after the defects liability period. MID is restructuring the road's operation and maintenance (O&M) by introducing institutional reforms to encourage competition in road maintenance, starting with a pilot performance-based maintenance project planned for implementation, with ADB financial and institutional support.¹⁵

24. At appraisal, it was mentioned that the road will not generate revenues, but the PCR says that the government is planning to convert the Shymkent–Tashkent road into a toll road. JSC KazAvtoZhol was expected to be self-sustaining and capable of developing and maintaining the national highway network by 2022—by imposing tolls on 5,000 km of highways by 2020 and on 10,000 km by 2022. JSC KazAvtoZhol was also to prepare feasibility studies for the conversion of priority roads, including the project road. The government increased the allocation for road infrastructure development and maintenance. From 2013 to 2018, the total financial allocation for road development and maintenance of the national road network increased from 0.6% to 0.7% of gross domestic product leading to a maximum of 0.8% in 2015 due to intensive construction works of key national highways. The 2018 state budget has allocated KZT195.4 billion for national and local roads maintenance, and KZT216.3 billion for road construction and rehabilitation.¹⁶

25. This validation takes note of the PCR's discussion on the expected availability of funding for road maintenance through tolls and government budget, and the introduction of institutional reforms to encourage competition in road maintenance. However, the PCR did not provide strong bases that either the current state budget on road maintenance or the expected toll will suffice to maintain the road section. Moreover, the physical design of the road project is easily susceptible to extreme weather temperature changes and there is the current weak capacity to handle the new material used in the project. Based on these, this validation rates the project less than likely sustainable.

III. OTHER PERFORMANCE ASSESSMENTS

A. Preliminary Assessment of Development Impact

26. The opening up of Uzbekistan to wider regional economic cooperation and simplified cross-border procedures for passengers and vehicles have effectively reduced the distance between Shymkent and Tashkent. The direct cross-border trips between Shymkent and Tashkent now take only 3–3.5 hours on a comfortable bus and fares are under \$10 one way in 2017. Trade between Kazakhstan and Uzbekistan has been growing fast with the total trade volume reaching \$2 billion in 2017. In 2018, the Kazakhstan and Uzbekistan governments targeted bilateral trade and investment to reach \$3 billion in annual trade volume and increase to \$5 billion by 2020. The trade from Turkestan, Kazakhstan with Uzbekistan along the CAREC Corridor 3 accounted for about one-third of the total trade, reaching \$714 million in 2017.

¹⁴ ADB (Central West Asia Department). 2017. Project Review in Kazakhstan: CAREC Corridor 3 (Shymkent–Tashkent Section) Road Improvement Project. Back-to-office report. 14 June (internal).

¹⁵ There is a firm plan to privatize KazAvtoDor, the national road maintenance company, and to establish strong competition in the sector within the next 3–5 years.

¹⁶ The KZT195.4 billion will be divided among the 93,600 km road network.

27. The project road's development impact exceeded the targeted volume of regional trade between South Kazakhstan region and Uzbekistan along CAREC Corridor 3 of \$350 million in 2018, as actual regional trade recorded was already \$714 million in 2017. Trade volume between Kazakhstan and Uzbekistan has already reached \$2 billion in 2017, which was expected to be achieved yet in 2018. Given the achievement of the expected impacts in 2017, this validation assesses project impact satisfactory. Note, however, that the PCR discussion on the impact of the project does not clearly explain if these benefits consider solely the 37-km road rehabilitation section, with or without the complete rehabilitation of the road section that was financed by EBRD.

B. Performance of the Borrower and Executing Agency

28. The PCR rated the performance of the borrower and the executing agency satisfactory noting that the Ministry of Finance (MOF)/MID allocated government counterpart funds and released payments on a timely basis. This validation notes that even with the government reorganization in 2015, the project's organizational structure was unaffected as MID maintained the status quo, with COR remaining as the implementing agency. The PCR noted the close coordination and monitoring of construction progress was well established as the South Kazakhstan COR was heavily involved in the project at the field level. When issues on access for business establishments arose during construction, COR was able to negotiate with the affected establishments and ADB reinstated the project's resettlement safeguards category. The CSC assisted in supervising the civil works construction to ensure compliance with approved designs and technical specifications, works schedule and budget, and ADB safeguards policy, among others. A project performance management system (PPMS) provided updated information on project implementation and for evaluation. A PPMS baseline report and updates were submitted periodically to ADB. MOF and MID facilitated and supported the ADB review missions during implementation. This validation rates the performance of MOF and MID satisfactory.

C. Performance of the Asian Development Bank

29. The PCR rated the performance of ADB satisfactory. From the start of the project, ADB assisted the government by providing a small-scale project preparation technical assistance on a grant basis to complement the government's feasibility study.¹⁷ ADB provided substantial and timely support to MID and COR during implementation as it (i) gave guidance in resolving implementation issues, (ii) reviewed and approved contract variations expeditiously, (iii) expedited withdrawal applications, and (v) enhanced the PMU staff's understanding of ADB guidelines and procedures as requested.

30. ADB safeguards work quality at project preparation is rated satisfactory (para. 15). Project preparation mission reports were available for review and indicated the participation of ADB environmental and social specialists for due diligence. Client capacity was considered, and risks related to the associated EBRD segment were also mentioned in the documentation. A resettlement framework was recommended to be prepared as a precautionary measure and consultations were timely. Safeguards documentation during project preparation were disclosed and available at the ADB website. ADB safeguards work quality during project implementation is also rated satisfactory. ADB fielded a sufficient number of review missions and prepared progress and safeguards reports. There was a specific safeguards review mission for the Kazakhstan portfolio, which included this road project. During site visits, problems were identified, including

¹⁷ Additional evaluation work was needed to undertake economic and financial analysis, technical assessment, safeguards due diligence, poverty and social analysis, governance, and advance procurement.

access issues brought to the mission’s attention by business owners. These resulted in the temporary downgrading of the project’s resettlement category, which was eventually restored since the issue was promptly resolved (para. 16). Based on the above, this validation assesses ADB performance satisfactory.

D. Others

31. Given that there had been previous ADB and other financing institution projects in Kazakhstan, the issue of changes to standard bidding documents (para. 5) should have been resolved earlier unless there was a change in government regulations. The government may have been unfamiliar with harmonizing its regulations with International Federation of Consulting Engineers documents. Although this was resolved, some project delay occurred. Also, in 2016, the Internal State Auditing Committee reviewed all projects under the Kazakhstan’s Western Europe–Western People’s Republic of China Corridor investment program. It noted the incorrect application of price adjustment and contract variations, which increased the total cost to around \$300 million. In 2017, by a court decision, the Internal State Auditing Committee seized all project documents of the contractors, even though the contracts did not have price adjustment provisions. This was only reported in the aide memoire of the May 2018 PCR mission. The issue requires the attention of involved international financial institutions for immediate resolution.¹⁸

IV. OVERALL ASSESSMENT, LESSONS, AND RECOMMENDATIONS

A. Overall Assessment and Ratings

32. The PCR rated the project successful. The PCR rated the project highly relevant— noting the alignment of the project to the CAREC Transport Strategy, to the government’s national strategy, and to ADB strategies—although it did not show any transformative effects. The project was rated effective as it exceeded the envisaged output in attaining the outcome performance indicators. The project was rated efficient even with the significant delay in loan effectiveness, due to the higher-than-expected EIRR. The project was rated likely sustainable as the PCR acknowledged that MID’s Committee of Transport enforcement system prevented the operation of overloaded vehicles despite the exemptions. This validation assesses the project relevant, effective, efficient, and less than likely sustainable. On the downgrading of the relevance and sustainability ratings, the project did not have appropriate design features and the DMF had issues (paras. 12 and 25). In addition to the unfamiliarity on the use of cement-concrete pavement in the province, there are no clear evidences that the current state budget for road maintenance is sufficient nor was there a financial analysis to confirm that the proposed tolls will suffice. Overall, this validation rates the project successful.

Overall Ratings

Validation Criteria	PCR	IED Review	Reason for Disagreement and/or Comments
Relevance	Highly relevant	Relevant	Lacks demonstration of transformative effect and the design and monitoring framework has some issues.
Effectiveness	Effective	Effective	
Efficiency	Efficient	Efficient	

¹⁸ ADB (Central West Asia Department). 2018. Project Completion Review Mission in Kazakhstan: CAREC Corridor 3 (Shymkent–Tashkent Section) Road Improvement Project. Back-to-office report. 1 June (internal).

Validation Criteria	PCR	IED Review	Reason for Disagreement and/or Comments
Sustainability	Likely sustainable	Less than likely sustainable	The capacity to maintain the new pavement material is not evident. The state budget for road maintenance nor the expected tolls appear to be insufficient to maintain this road section (para. 25).
Overall assessment	Successful	Successful	
Preliminary assessment of impact	Satisfactory	Satisfactory	
Borrower and executing agency	Satisfactory	Satisfactory	
Performance of ADB	Satisfactory	Satisfactory	
Quality of PCR		Satisfactory	Para. 39.

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

B. Lessons

33. On the PCR lessons, this validation notes the first lesson at the country level—and argues that project delay prior to effectiveness could have been avoided had national regulation been harmonized with the International Federation of Consulting Engineers' standard conditions of contract. Considering the numerous foreign-funded projects in the country, a thorough review of national regulations that could potentially affect project procurement, contracting, and implementation should have been undertaken to avoid project delays.

34. At the **sector level**, collaborating with other development partners to include institutional support is a good strategy, to ensure that huge cross-border transport investments can be funded. ADB could have maximized this collaboration to ensure the sustainability of the project. While the remaining road section and institutional development support were financed and implemented by EBRD, ADB will want to engage with EBRD during implementation since the success and finance of the two projects will depend on both projects.

35. At the **project level**, the decision to use cement-concrete should have considered the (i) technical familiarity of the operating and maintaining institution and its staff, (ii) technical familiarity on the proper use and maintenance of the material, and (iii) the availability of appropriate equipment required for these materials.¹⁹ This seemed to have been apparently overlooked at the design stage and it was unclear how the use of cement-concrete was selected.

36. At the **results framework and methodology level**, as a development bank, identifying value addition to road infrastructure investments in the DMF will give more relevance to ADB interventions. Anchored to the latest Sustainable Transport Initiative Operational Plan 2010, designing road projects should always consider ADB's focus on creating transport systems that are accessible, safe, affordable, and environment friendly. These should be reflected in the project's performance indicators to assess their relevance against ADB's strategic framework.

¹⁹ Later during project implementation, the South Kazakhstan COR expressed apprehension on the use of cement-concrete and requested for more knowledge products on the characteristics and proper maintenance procedures.

C. Recommendations for Follow-Up

37. The PCR recommended (i) monitoring the progress in the conversion of the project road into a toll road; and (ii) monitoring the safety condition in the project road, including the number of accidents and their characteristics to help government implement preventive road safety measures. This validation recommends to follow up the progress on MID's efforts to restructure road O&M, including the planned implementation of the pilot performance-based maintenance project and capacity development for COR and KazAvtoZhol to properly maintain the cement-concrete road pavements, including acquisition of required equipment for the proper maintenance of cement-concrete pavements.

V. OTHER CONSIDERATIONS AND FOLLOW-UP

A. Monitoring and Reporting

38. The government complied with the development and operation of the PPMS, and provided periodic reports on the project's progress, outcomes, and impact indicators. However, the substantial variation in traffic count results was not resolved satisfactorily. There is a need to improve the reliability and accuracy of traffic counts being utilized.

B. Comments on Project Completion Report Quality

39. This validation assesses the PCR quality satisfactory. It was well prepared and had sufficient supporting data derived from the PPMS to validate some ratings. However, it had some minor deficiencies. The ratings on relevance and sustainability lacked evidence, such that the DMF were not assessed, and the physical and financial sustainability were not considered, including the capacity of the institution to perform the O&M. Although there were significant variations in the traffic count results, the PCR did not give sufficient assessment nor the reasons for such variations and how they were considered in the traffic forecast. The actual traffic growth rates used were not provided.

C. Data Sources for Validation

40. The data sources for this validation included the project's report and recommendation of the President, the PCR, and back-to-office reports, including attached aide memoires of ADB missions; the 2020 Strategy for Economic Development and the State Program on Accelerated Industrial–Innovative Development;²⁰ the CAREC Transport and Trade Facilitation Strategy 2020;²¹ and country partnership strategy for Kazakhstan, 2017–2021 (footnote 7).

D. Recommendation for Independent Evaluation Department Follow-Up

41. The PCR recommended that the project performance evaluation report be prepared in 2019, but this validation recommends 5 years after completion, which is sometime in 2021.

²⁰ Government of Kazakhstan. 2010. *State Program on Accelerated Industrial–Innovative Development*. Astana.

²¹ ADB. 2014. *CAREC Transport and Trade Facilitation Strategy 2020*. Presented at the 12th Ministerial Conference on Central Asia Regional Economic Cooperation on 23–24 October 2013 at Astana, Kazakhstan. Manila.