

Ex-ante Evaluation

1. Name of the Project

Country: Kazakhstan

Project: CAREC Transport Corridor (Zhambyl Oblast) Improvement Project

Loan Agreement: August 23, 2010

Loan Amount: 6,361 million yen

Borrower: The Government of the Republic of Kazakhstan

2. Background and Necessity of the Project

(1) Current Status and Issues of the Transportation Sector in the Republic of Kazakhstan

The transportation system in the Republic of Kazakhstan is comprised of land transportation such as rail and road, the harbor city of Atyrau on the Caspian Sea, and air transportation centered around Astana and Almaty. Of these, land transportation forms the nucleus of Kazakhstan's transportation system, and much importance is attached to its development and improvement, not only for the Republic of Kazakhstan, but also from the perspective of the regional integration of Central Asian countries. Improvement of the transport corridor that passes through the Kazakhstan territory (total length is approximately 2,715km) is regarded as the most important route within the entire Central Asian region. In particular, CAREC¹ is promoting the improvement of major international corridors in order to strengthen the regional integration of Central Asian countries and the links between Central Asia and neighboring countries such as Russia, China and Afghanistan.

However, with the collapse of the Soviet Union, central government funding for the road sector ceased, and an adequate source of funding could not be established. This has resulted in there being virtually no road maintenance and the road sector has fallen into a dilapidated state. The transport corridor targeted by this Japanese ODA loan is part of a major international transport network that extends from Russia in the west to China in the east, and it is also of immense value to the entire Silk Road region. Because it is in a state of poor upkeep, currently, it presents a serious impediment to the movement of people and the distribution goods.

(2) Development Policies for the Transportation Sector in the Republic of Kazakhstan and the Priority of the Project

The "Road Sector Development Program for 2006-2012," which is a medium-term strategy document on the road sector, regards the improvement of road networks, including transport corridors, as a priority issue for Kazakhstan. Furthermore, based on the recognition that an undeveloped road sector widens the disparities between urban and rural areas and acts as a hindrance to the overall economic development of the Republic of Kazakhstan, in 1997, the Government of the Republic of Kazakhstan announced a development policy titled "Kazakhstan - 2030" which cites development of arterial roads as one of seven long-term national priorities.

¹ Central Asia Regional Economic Cooperation (CAREC): CAREC was launched in 1997 with the object of raising the standard of living and alleviating poverty in participating nations through effective regional economic cooperation. The eight participating nations are the four countries of Central Asia excluding Turkmenistan, plus Mongolia, Afghanistan, Azerbaijan and China.

Of the 16 regions in the Republic of Kazakhstan, Zhambyl Oblast is the province with the second lowest level of income, and is a region which is significantly undeveloped even within Kazakhstan. However, the province is adjacent to the city of Almaty, which is the economic center of Kazakhstan, and is close to the Chinese border. Furthermore, it also shares borders with Kyrgyzstan and Uzbekistan. Given this, geographically, the region has a certain comparative advantage for potential economic development, and if an international distribution network could be expanded here, then the region would surely develop in relative terms. It is expected that, as a result, this would also contribute to rectifying the urban-rural disparity between this province and other regions, and in turn, to the reduction of poverty here.

(3) Japan and JICA's Policy and Operations in the Transportation Sector in the Republic of Kazakhstan

The project coincides with two of the priority areas contained in "Japan's Country Assistance Program for the Republic of Kazakhstan" (formulated in 2006): "economic and social infrastructure improvement," and "promotion of intra-regional cooperation." Past achievements for aid provided to the Republic of Kazakhstan through Japanese ODA loans are: the Railway Transport Capacity Development Project, the Irtysh River Bridge Construction Project, the Astana Airport Reconstruction Project, and the Western Kazakhstan Road Network Rehabilitation Project (all projects are complete). JICA has also contributed to the expansion of road-sector policies in Kazakhstan, such as providing assistance for the formulation of strategic action plans for the expansion of transit distribution through the "Program for Improvement of Integrated Distribution Systems" (technical cooperation).

Kazakhstan is a resource-rich country that is blessed with mineral resources, including the world's second largest uranium reserves, as well as energy resources such as petroleum and natural gas. Despite the fact that great interest has been shown by Japanese companies, an undeveloped distribution network and other factors have hindered their expansion into Kazakhstan. Therefore, the project is also of great significance from the perspective of being beneficial for Japanese companies. Consequently, Japan's and JICA's support of the project is both highly necessary and valid.

(4) Other Donors' Activities

The World Bank, the European Bank for Reconstruction and Development (EBRD), the Islamic Development Bank and the ADB have provided assistance for improvement of the transport corridor.

Donor	Targeted section/Name of project	Present situation
EBRD	Russian border – Aqtobe	Scheduled for implementation shortly (212 million US dollars)
World Bank	Qyzylorda – Shymkent	Approved in April 2009 (2,125 million US dollars)
ADB	Transport Corridor Improvement Project I (Zhambyl Oblast)	Loan agreement concluded in March 2009 (340 million dollars)
Islamic Development Bank	Transport Corridor Improvement Project I (Zhambyl Oblast)	Approved in February 2009 (186 million dollars)
ADB	Transport Corridor Improvement Project II (Zhambyl Oblast)	Approved in December 2009 (187 million dollars)

Islamic Development Bank	Transport Corridor Improvement Project II (Zhambyl Oblast)	Approved in August 2009 (170 million dollars)
ADB	Transport Corridor Improvement Project III (Zhambyl Oblast)	Scheduled for implementation in 2010 (targeted for joint financing under the Project)

(5) Necessity of the Project

The aim of the project is to improve a major section of the transport corridor regarded as one of the long-term national priorities in the development policy titled “Kazakhstan - 2030,” which was announced by the Government of the Republic of Kazakhstan in 1997. Despite the fact that the World Bank, the EBRD and other donors have already provided assistance for some sections, and the overall distribution of project funding has been determined, because JICA’s loan has not been settled, the outlook for the project for Zhambyl Oblast is unclear. The arterial road through Zhambyl Oblast is a major section of the transport corridor, and if this section of road was not developed, then even if the other sections were complete, it is likely that the transport corridor could not adequately perform the function of promoting distribution as a genuine “corridor.” So as to eliminate this kind of bottleneck, the necessity for JICA to participate in the joint financing at the request of the Government of the Republic of Kazakhstan and the ADB is extremely high.

3. Project Description

(1) Project Objectives

The aim of the project is to advance the regional economy and rectify the disparity between different regions by building up the transport capacity of the Republic of Kazakhstan by means of improving the Klan, Kainar-Otar and Kordai-Kyrgyz border routes in the southern province of Zhambyl Oblast as part of Kazakhstan’s transport corridor.

(2) Project Site/Target Area: Zhambyl Oblast (of which, the area covered by the Japanese ODA loan is the vicinity of the Klan Bypass)

(3) Project Components (including procurement methods)

1) Civil engineering works/procurement (international competitive bidding)

Construct a bypass and carry out rehabilitation and widening work on existing roads, as outlined below, in the area around Klan and along the Kainar–Otar and Kordai-Kyrgyz border routes (approximately 119 km) within the province of Zhambyl Oblast, which makes up part of the transport corridor.

- a) Klan (rehabilitation work on the existing two-lane road, and construction of a new bypass; approximately 21 km; financed by JICA)
- b) Kainar-Otar (rehabilitation and widening work on the existing two-lane road; approximately 80 km; financed by the ADB)
- c) Kordai-Kyrgyz border (rehabilitation and widening work on the existing two-lane road; approximately 18 km; financed by the ADB)

2) Consulting services

All consulting services (detailed design review, construction supervision, monitoring of targeted outcomes, ex-post evaluation) will be financed from ADB funds.

(4) Estimated Project Cost (Loan Amount)

27,996 million yen (amount from Japanese ODA loan: 6,361 million yen)

(5) Schedule (Cooperation Period)

May 2010 - December 2012 (32 months in total); the project will be completed when the facilities commence being used (December 2012)

(6) Project Implementation Structure

1) Borrower: The Government of the Republic of Kazakhstan

2) Executing Agency: The Committee of Roads, Ministry of Transport and Communications, Republic of Kazakhstan

3) Operation and Maintenance System: Kazakhavtodor (public corporation with head office in Astana and branch offices in each province)

(7) Environmental and Social Consideration/Poverty Reduction/Social Development

1) Environmental and Social Consideration

a) Category: A

b) Reason for Categorization: The project is classified as Category A, because it falls under the category of the road sector as identified in the “JBIC Guidelines for Confirmation of Environmental and Social Considerations” (established April 2002).

c) Environmental Permit: Under the domestic laws of the Republic of Kazakhstan, an Environmental Impact Assessment (EIA) report is a procedure approved by the Ministry of Environment Protection at the time of the detailed design. The EIA report for the project was prepared in May 2009 under the responsibility of the executing agency.

d) Anti-Pollution Measures: With regard to air pollution and noise once the project has commenced, mitigation measures will be implemented, including the planting of trees and the installation of sound barriers.

e) Natural Environment: The project site is not located in or around any sensitive areas such as national parks, and so any adverse impacts on the natural environment are expected to be minimal.

f) Social Environment: There is expected to be an increase in crime and infectious diseases because of the considerable inflow of workers (including foreign workers)

during the construction period. Measures are planned for implementation, including activities to promote understanding among workers.

- g) Resident Relocation: The project will involve the acquisition of a total of approximately 254 hectares of land. The land will be acquired in accordance with the domestic procedures of the Republic of Kazakhstan. The project is not expected to involve the relocation of residents. A land acquisition plan has already been prepared in consultation with the affected residents, and acquisition procedures will be followed in accordance with this plan.
- 2) Promotion of Poverty Reduction: In the Republic of Kazakhstan, rectifying the disparities between the capital and rural areas is an important policy issue. Under the project, major routes will be improved and distribution will be facilitated, and this is expected to have an effect of improving incomes and reducing poverty in Zhambyl Oblast.
- 3) Promotion of Social Development (e.g. Gender Perspective, Measures for Infectious Diseases including HIV/AIDS, Participatory Development, Considerations for Persons with Disabilities, etc.): None
- (8) Collaboration with Other Donors: Collaborative project with the World Bank, the EBRD, the ADB and the Islamic Development Bank (each responsible for a section of construction along the entire transport corridor)
- (9) Other Important Issues: ACFA (an accelerated cofinancing scheme with the ADB) will also be used when granting the loan.

4. Targeted Outcomes

- (1) Performance Indicators (Operation and Effect Indicator)

Indicator (operation and effect indicator)	Baseline (2007)	Target (2014) [2 years after project completion]
Annual average daily traffic volume (vehicles/day)	4,000	7,000
Reduction in travel time (hours)*	10	6

* Time required to pass through Zhambyl Oblast

- (2) Internal Rate of Return

Based on the conditions indicated below, the project's Economic Internal Rate of Return (EIRR) is 15.6%.

Cost: Project costs (excluding tax), operating and maintenance costs

Benefit: Decrease in total travelling time for motorists, decrease in fuel consumption, decrease in number of accidents

Project Life: 25 years

5. External Factors and Risk Control

None

6. Lessons Learned from Past Projects

- From ex-post evaluations of ODA loan projects completed in the past, it has been learned that, in conducting monitoring and supervision in countries where JICA does not have an overseas office, special efforts need to be made such as utilizing outside personnel. JICA does not have an overseas office in Kazakhstan, but the executing agency—the Ministry of Transport and Communications—does have experience in conducting Japanese ODA loan projects in the past (Western Kazakhstan Road Network Rehabilitation Project). Despite this, given that the Ministry of Transport and Communications does not necessarily have a thorough knowledge of the new JICA ODA loan procedures, following the signing of the loan agreement, JICA will strive to strengthen the counterparts' project monitoring and supervision capacity, such as by dispatching appropriate experts and other personnel as the occasion demands with respect to related procedures (in particular, prepay/premium and anti-corruption measures, etc. which were introduced this fiscal year). Furthermore, during the implementation of the project, through its consulting services, JICA also plans to provide assistance in the procedures for procurement and loan disbursement.
- In terms of project supervision, there have been cases in the past in road-related projects in other countries, where the effectiveness of a project has been impeded by a delay in the development of other sections of road not funded by ODA loans where construction was yet to commence. To prevent external conditions from influencing the successful effectiveness of the project, JICA will cooperate broadly and closely with the other donors participating in this project (World Bank, ADB, etc.), and will be constantly mindful to prevent problems from occurring in the overall coordination of the Kazakhstan transport corridor.

7. Plan for Future Evaluation

(1) Indicators to be Used

- 1) Annual average daily traffic (vehicles/day)
- 2) Reduction in travel time (hours)
- 3) EIRR

(2) Timing

Two years after the completion of the project