

AID-FOR-TRADE: CASE STORY

ASIAN DEVELOPMENT BANK

Almaty-Bishkek Regional Road Rehabilitation Project

Date of submission:	2 February 2011
Region:	Central Asia, Asia and the Pacific
Countries:	Kyrgyz Republic and Kazakhstan
Type:	Project
Author:	Asian Development Bank - Central and West Asia Department and Office of Regional Economic Integration
Contact Details:	6 ADB Avenue, Mandaluyong City 1550 Metro Manila, Philippines (632) 632 4444; sakhn@adb.org

EXECUTIVE SUMMARY

This regional road project rehabilitated 226 kilometers of regional road between two major regional commercial centers - Almaty in Kazakhstan and Bishkek in the Kyrgyz Republic. Parallel co-financing was provided by ADB and EBRD. Oil rich Kazakhstan is one of the region's most dynamic economies and Kyrgyz Republic is the only WTO member. In addition to improving transport efficiency between key economic centers, the project contributed to regional cooperation between landlocked Central Asian states and dealt with border crossing facilities and nonphysical barriers to trade. These mainly related to road sector reforms; and road sector-related laws, policies, and procedures.

ISSUES ADDRESSED

After the collapse of the former Soviet Union during the late 1980s and early 1990s, the already poor condition of physical transport infrastructure in the Central Asian Republics continued to deteriorate. This hampered economic growth, national and international trade, as well as regional integration. The project aimed to provide an important link between the road corridors that connect Asia with Europe and the Fergana Valley with the Russian Federation. It is part of the East-West Corridor passing through Urumqi in the People's Republic of China (PRC) and several commercial centers in the region including Almaty, Ashgabat, Bishkek, Samarkand, Shymkent, and Tashkent. It also links two important north-south roads: Almaty-Astana and Bishkek-Osh.

OBJECTIVES PURSUED

The project aimed to improve the efficiency and safety of the Almaty-Bishkek road, which is an important regional transport link, to promote economic growth. Specific outputs are the rehabilitation of the 245 km Almaty-Bishkek road, the improvement of customs facilities at the Akzhol-Chu Border, the provision of road maintenance equipment to Kazakhstan, a Cross Border Agreement (CBA) and the creation of an advisory technical assistance to implement the CBA.

DESIGN AND IMPLEMENTATION

Asian Development Bank (ADB) and the European Bank for Reconstruction and Development (EBRD) provided parallel cofinancing for the Almaty–Bishkek Road Rehabilitation project to rehabilitate the 245 kilometer regional road between Almaty and Bishkek. ADB funded two sections in Kazakhstan and one in the Kyrgyz Republic, while EBRD funded one section in Kazakhstan. The European Union’s Transport Corridor Europe–Caucasus–Asia Program provided a parallel but linked grant for improvement of customs facilities, including equipment and training for customs officials. In addition, the project aimed to initiate road sector reforms, address road maintenance issues, and enable cross-border activities and institution and capacity building through technical assistance.

The ministries of transport and communications (MOTCs) in the two countries implemented the project. This included procurement and implementation of the contracts, following the respective financier’s policy. Two supervision consultants were appointed for the sections in Kazakhstan and in the Kyrgyz Republic.

PROBLEMS ENCOUNTERED

The speed of project implementation is an issue. The project took longer to complete than originally envisaged. Cumulative delays in the project completion totaled 20 months for the Kazakhstan component and 45 months for the Kyrgyz Republic component. This can be attributed to three main reasons. First, loan disbursement was delayed due to the delay in signing the CBA. Second, procurement delays were caused by limited national capacity with procurement procedures, frequent change in staff responsible for project management and delays in the award of construction contract. Third, delays resulted from poor contractor performance on the EBRD-funded section in Kazakhstan and the ADB-funded section in the Kyrgyz Republic.

FACTORS FOR SUCCESS / FAILURE

An earlier ADB regional preparatory technical assistance identified the improvement of a section of the Almaty-Bishkek road as critical to permitting smooth and safe traffic flow (of goods and people) in Central Asia. As such, while a handful of problems were encountered during project implementation, the success of the project in terms of impact could be attributed to the proper and careful identification of the location for the project.

RESULTS ACHIEVED

The project resulted in several positive socioeconomic impacts. It introduced international best practices to improve project implementation. New sources of livelihoods were opened, such as retail shops, taxi driving, car washing, roadside cafes, and hair salons. Goods trade between Kazakhstan and the Kyrgyz Republic at the Akzhol-Chu border crossing point on the Almaty-Bishkek road increased by an average annual rate of 38% from 2000 to 2007. Since 1998, the volume of traffic on this road has increased by 25% and exports from the Kyrgyz Republic to Kazakhstan have gone up 160%. This could also be attributed to growth in the national economies. Despite a general attribution problem, the rehabilitation of the regional road can be assumed to have substantially helped increase traffic and trade figures. A survey of the road’s beneficiaries also suggests positive outcomes, including improvements in road efficiency and safety, modernized border control policies and procedures, upgraded border facilities, and the introduction of an efficient road maintenance system.

LESSONS LEARNED

Over all, the project was a useful partnership between two donor institutions (ADB, EBRD) and the two client Governments as it provided learning opportunities in rehabilitating and maintaining an economically cross-border road. Delays in taking decisions relating to civil works contracts in both countries indicate that project management and institutional capacity could be improved through capacity-building of counterpart governments and other implementers.

CONCLUSION (applicability to other programs)

This project contributed to improving physical connectivity that is vital to trade led growth in the Central Asian Republics. It forged a key transport link between two vibrant commercial centers and contributed to improving regional prosperity. Institutional and capacity constraints meant that some delay in project implementation occurred. Nonetheless, the learning opportunities provided by the intervention suggest that future cross-border transport projects are likely to be implemented in a timelier manner. To ensure the success of future cross-border transport projects in the Central Asian Republics, technical assistance support should be appropriately designed to address gaps in institutional