



Kyrgyz Republic: CAREC Transport Corridor I (Bishkek-Torugart Road) Project 3 - Additional Financing

Project Name	CAREC Transport Corridor I (Bishkek-Torugart Road) Project 3 - Additional Financing		
Project Number	42399-024		
Country	Kyrgyz Republic		
Project Status	Active		
Project Type / Modality of Assistance	Grant Loan		
Source of Funding / Amount	Grant 0418-KGZ: CAREC Transport Corridor I (Bishkek-Torugart Road) Project 3 - Additional Financing		
	concessional ordinary capital resources lending / Asian Development Fund		US\$ 4.30 million
	Loan 3204-KGZ: CAREC Transport Corridor I (Bishkek-Torugart Road) Project 3 - Additional Financing		
	concessional ordinary capital resources lending / Asian Development Fund		US\$ 10.80 million
Strategic Agendas	Environmentally sustainable growth Inclusive economic growth Regional integration		
Drivers of Change	Governance and capacity development		
Sector / Subsector	Transport - Road transport (non-urban)		
Gender Equity and Mainstreaming	No gender elements		
Description	The additional financing of the Central Asia Regional Economic Cooperation (CAREC) Corridor 1 (Bishkek_Torugart Road) Project 3 will cover the cost overruns that have resulted in a funding gap for the project whose rationale remains valid and physical progress on-track. The project, by improving the last 60 kilometers (km) bottleneck section of the CAREC Corridor 1 (Bishkek_Torugart Road), will contribute to fostering regional trade between the Kyrgyz Republic and the People's Republic of China (PRC) and higher mobility for people in Naryn Province where poverty is widespread. It will also help increase sustainability of the national road network by training staff on infrastructure management.		

Project Rationale and Linkage to Country/Regional Strategy

The terrain of the Kyrgyz Republic is dominated by the Tian Shan and Pamir mountain systems, which together occupy about 65% of the country. Trade and travel in this landlocked country are highly dependent on road transport. Endorsed under the CAREC Transport and Trade Facilitation Strategy, the approximate 539 km Bishkek_Torugart road forms part of the CAREC Transport Corridor 1 and has several important functions. The road, part of the old Silk Road that once linked Europe with what is now the PRC, is the shortest thoroughfare from Kashi, a vibrant cultural and trade center in the PRC, to consumer markets in northern Kyrgyz Republic and beyond. It is also the only north_south trunk road in central Kyrgyz Republic, where the city of Naryn, in particular, depends heavily on it for connecting to the rest of the country. It is the only road that provides direct access at present to Issyk Kul lake region, one of Central Asia's best-known tourist destinations with a huge growth potential. However, costly, unreliable, and unsafe travel caused by the poor road conditions has hampered social and economic development along the road corridor, particularly for Naryn Province.

As one of the key development partners for the country's roads, ADB financed the improvement of 114 km (km 365_479) of the road corridor in 2008 and 2009, and helped the government strengthen trade ties with its neighbors through CAREC. In 2010 the Government of the People's Republic of China financed the improvement of 223 km (most of km 9_272), and in 2012 the Islamic Development Bank financed the improvement of 93 km (km 272_365) of the road corridor. The project will improve the 60 km section from At Beit to Torugart (km 479_539) at the Kyrgyz Republic_PRC border, the last segment of the road corridor. Together with the improvement works in other sections and the corridor's full opening to traffic by 2017, this will enable all-weather smooth flow of local traffic between Bishkek and Torugart, as well as international through-traffic from the PRC to Central Asia and beyond, unleashing one of the key constraints to national and regional trade competitiveness and inclusive growth. Apart from the economic benefits of time savings, reliability, and reduced transport costs, better road conditions and protective structures will help reduce the risk of accidental toxic spills and material runoff from vehicles, therefore benefiting the ecosystem of nearby Chatyr Kul Lake_a wetland of international significance protected under the Ramsar Convention on Wetlands. The project will also support a long-term, results-oriented program of learning and development for the Ministry of Transport and Communications (MOTC) and other government staff. It will result in better-informed staff, equipped to champion strategies for reducing life-cycle costs and improving user cost recovery.

The project road site conditions are unique_elevation is over 3,000 meters and the weather allows only about 5 months (May_October) in a year for any construction work; the ground is permanently frozen, and part of the road alignment is close to a unique wetland. Civil works were procured using a tailored design_build delivery method to share the cost and risk of design changes between the project executing agency and the contractor, and allow the contractor to bring more economical and relevant technology and construction methods to the site. Detailed engineering investigations by the contractor and the construction supervision consultant indicate that additional engineering measures (mainly increasing the road embankment height, using suitable subgrade materials, and installing additional road drainage systems) are necessary to address the unforeseen frost heaves in some sections. This will help prevent premature pavement failure caused by pavement cracking and extend road service life.

The project was approved in June 2011 with a loan in various currencies equivalent to SDR35,041,000 from ADB's Special Funds resources. The loan became effective in February 2012 and will close on 31 March 2016. Contract packages for the works and construction supervision and environmental management were awarded in 2012. The project has been performing well and the present project performance rating is on track. The total project cost has increased by \$18 million, from \$70 million in 2011 to \$88 million in 2014. The cost overruns, resulting from the detailed engineering design under the design_build delivery arrangement, are attributed to corrective engineering measures and input price increases. The government has accordingly requested financing to achieve the project's intended outputs with greater technical quality. Given that additional engineering measures by nature are an integral part of ongoing civil works, additional financing is deemed a more suitable instrument than options of restructuring, scaling down, and/or canceling the project.

Impact	Increased regional trade, particularly between the Kyrgyz Republic and the People's Republic of China
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Project Outcome

Description of Outcome	Higher mobility for people and goods with origins and destinations in the road corridor between Naryn and Torugart
Progress Toward Outcome	Project closing extended from 31 Mar 2016 to 31 Dec 2017 to coincide with the closing date of additional financing. Project is likely to achieve its outcome.

Implementation Progress

Description of Project Outputs	The last 60 km section of the Bishkek-Torugart road (km 479-km 539), repaired, rehabilitated, or reconstructed to meet national Category III road standards with roadside truck parking facility and special hydraulic features for protecting the environment and preserving the road structure Improved infrastructure management skills of MOTC and other government agency staff
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Status of Implementation Progress (Outputs, Activities, and Issues)	As of the end of the 2016 construction season, civil works were fully completed, only minor works are remaining. The completed works in 2016 included strengthening culvert pipe outlets (rock-fill blanket and slope protection), full installation of traffic signs and signal bars, and the drainage system for spillage collection at six sections. The defect liability period was expired on 16 Oct 2016, and the contractor handed over the site to the MOTR. Safety audit achievement will be assessed in 2017. EMP monitoring is ongoing. The EMR for Jul-Dec 2016 was disclosed. The EMP compliance achievement will be assessed fully in June 2017 in the course of the post construction audit.
Geographical Location	Naryn

Safeguard Categories

Environment	C
Involuntary Resettlement	C
Indigenous Peoples	C

Summary of Environmental and Social Aspects

Environmental Aspects	The additional financing for the project due to cost overruns will not entail any additional environmental impacts as the project's scope of work remains unchanged. The underlying project is categorized A for ENV as the road passes through the Karatal-Japaryk State Nature Reserve (KJSNR). The updated EIA and EMP was disclosed online. In accordance with the OM Section F1/OP para. 35, the additional financing loan is classified category C for environment.
Involuntary Resettlement	The additional financing for the project will not entail any involuntary resettlement impacts as the proceeds will be used for civil work activities and will not require any land acquisition. In accordance with the OM Section F1/OP para. 35, the additional financing loan is classified category C for involuntary resettlement.
Indigenous Peoples	There are no indigenous peoples in the project area.

Stakeholder Communication, Participation, and Consultation

During Project Design	Meetings with relevant government agencies and focus group consultations with local communities and/or affected people, supplemented by surveys, were conducted.
During Project Implementation	The investment projects implementation group (project implementation unit) under the Ministry of Transport and Roads (project executing agency), the consultants, and ADB will continue to conduct needed stakeholder consultations during project implementation.

Business Opportunities

Consulting Services	This additional financing will not require additional procurement of civil works as the additional scope for treatment of frost heave of natural ground is an integral part of the ongoing civil works. As such, associated supervision of these additional works will be added through a variation to the existing construction supervision contract.
Procurement	This additional financing will not require additional procurement of civil works as the additional scope for treatment of frost heave of natural ground is an integral part of the ongoing civil works. As such, MOTC will issue contract variations to incorporate it into the scope of existing civil works contract.

Responsible Staff

Responsible ADB Officer	Eshenaliev, Mirdin Iskanderovich
Responsible ADB Department	Central and West Asia Department
Responsible ADB Division	Kyrgyz Resident Mission
Executing Agencies	<i>Ministry of Transport and Roads 42, N. Isanov St. Bishkek City 720017 Kyrgyz Republic</i>

Timetable

Concept Clearance	12 Sep 2014
Fact Finding	-
MRM	10 Oct 2014

Approval	02 Dec 2014
Last Review Mission	-
Last PDS Update	23 Mar 2017

Grant 0418-KGZ

Milestones					
Approval	Signing Date	Effectivity Date	Closing		
			Original	Revised	Actual
02 Dec 2014	26 Dec 2014	24 Apr 2015	31 Dec 2017	-	-

Financing Plan			Grant Utilization			
	Total (Amount in US\$ million)		Date	ADB	Others	Net Percentage
Project Cost	4.30		Cumulative Contract Awards			
ADB	4.30	02 Dec 2014	4.14	0.00		96%
Counterpart	0.00		Cumulative Disbursements			
Cofinancing	0.00	02 Dec 2014	4.14	0.00		96%

Loan 3204-KGZ

Milestones					
Approval	Signing Date	Effectivity Date	Closing		
			Original	Revised	Actual
02 Dec 2014	26 Dec 2014	24 Apr 2015	31 Dec 2017	-	-

Financing Plan			Loan Utilization			
	Total (Amount in US\$ million)		Date	ADB	Others	Net Percentage
Project Cost	13.70		Cumulative Contract Awards			
ADB	10.80	02 Dec 2014	9.24	0.00		92%
Counterpart	2.90		Cumulative Disbursements			
Cofinancing	0.00	02 Dec 2014	8.87	0.00		88%

Project Page	https://www.adb.org/projects/42399-024/main
Request for Information	http://www.adb.org/forms/request-information-form?subject=42399-024
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